



COMMUNITY DEVELOPMENT COMMISSION

County of Los Angeles

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
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Michael D. Antonovich
Commissioners

Carlos Jackson

Executive Director

June 15, 2004

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors/Commissioners:

**APPROVE LOAN AGREEMENT WITH CAMINO DE LAS FLORES LIMITED
PARTNERSHIP TO DEVELOP MULTIFAMILY HOUSING IN
UNINCORPORATED EAST LOS ANGELES (1)
(3 Vote)**

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Consider the attached Environmental Assessment/Mitigated Negative Declaration, prepared pursuant to requirements of the California Environmental Quality Act (CEQA), together with any comments received during the public review process, for the development of Las Flores, a 25-unit multifamily rental housing development for very low-income individuals and families, including 12 units for families having an adult member with a mental disability, to be located at 1074 South Rowan Avenue and 1063 and 1073 South Eastman Avenue, in unincorporated East Los Angeles.

2. Find that with the incorporation of the mitigation measures identified in the Mitigation and Monitoring Plan, and required as a condition of project approval, the development described above will not have a significant effect on the environment; approve the Environmental Assessment/Mitigated Negative Declaration; find that the project will have no adverse effect on wildlife and resources, and authorize the Executive Director of the Community Development Commission to complete and file with the County Clerk a Certificate of Exemption for the project described above.
3. Find that the Environmental Assessment/Mitigated Negative Declaration reflects the independent judgment of the County of Los Angeles, and instruct the Executive Director of the Community Development Commission to file with the County Clerk a Notice of Determination, as required by CEQA; and instruct the Executive Director to take any and all actions necessary to complete the implementation of this environmental review action for the project described above.
4. Authorize the Executive Director of the Community Development Commission to administer, on behalf of the Commission, up to \$1,479,666 in Home Investment Partnership (HOME) Program funds and up to \$50,000 in Community Development Block Grant (CDBG) funds allocated to the First Supervisorial District, to provide acquisition, predevelopment, construction and permanent financing of the development described above.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Approve a 55-year Loan Agreement, presented in substantially final form, between the Community Development Commission and Camino De Las Flores Limited Partnership (Developer), using \$1,479,666 in HOME Investment Partnerships (HOME) Program funds and \$50,000 in Community Development Block Grant (CDBG) funds allocated to the First Supervisorial District, to provide acquisition, predevelopment, construction and permanent financing of Las Flores, a 25-unit multifamily rental housing development for very low-income individuals and families, including 12 units for families having an adult member with a mental disability, to be located at 1074 South Rowan Avenue and 1063 and 1073 South Eastman Avenue in unincorporated East Los Angeles.

2. Authorize the Executive Director to incorporate a total of \$1,479,666 in HOME funds and \$50,000 in CDBG funds into the Commission's Fiscal Year 2004-2005 approved budget, for the purposes described above.
3. Authorize the Executive Director to execute the Loan Agreement, and all related documents, including those to subordinate the Commission's loan to permitted construction and permanent financing, to be effective following approval as to form by County Counsel and execution by all parties.

PURPOSE /JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve a Loan Agreement to fund acquisition, predevelopment, construction and permanent financing of Las Flores, a 25-unit multifamily rental housing development for very low-income individuals and families, including 12 units for families having an adult member with a mental disability.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. Under the terms of the Loan Agreement, up to \$1,479,666 in HOME funds and \$50,000 in CDBG Funds will be provided as a 55-year, three percent simple interest loan, evidenced by a Promissory Note and secured by a subordinated Deed of Trust. The loan will be used for predevelopment and construction financing, converting to permanent financing following completion of construction, and will be repaid from residual rental receipts generated from the units. The CDBG funds were previously authorized for Fiscal Year 2003-2004 as part of the approved Fiscal Year 2003-2004 Action Plan. The total \$1,529,666 in HOME and CDBG funds will be incorporated into the Commission's Fiscal Year 2004-2005 approved budget.

On March 18, 2003, the project received a loan of \$1,267,430 as part of the Sixth Allocation of City of Industry Redevelopment Housing Set-Aside Funds, for acquisition, pre-development, construction and permanent financing. Other permanent financing sources include: a California Housing Finance Agency loan of \$571,200; a Multifamily Housing Program permanent loan of \$1,447,000; tax credit equity of \$2,241,300; deferred interest of \$89,300; General Partner contribution of \$261,300 and a Deferred Developer Fee of \$66,000. Rental subsidies in the form of grants are being provided through the Shelter+Plus Care Program of the U.S. Department of Housing and Urban Development (HUD).

The estimated total cost for the project is \$7,473,196. A Financial Analysis is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The development will consist of 24 units of affordable housing for very low-income individuals and families, and one manager's unit. Twelve of the units will be reserved for households with incomes not exceeding 40 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by HUD, and which have an adult member with a mental disability. These units are comprised of four 1-bedroom, two 2-bedroom, three 3-bedroom and three 4-bedroom units. Tenants in these units will also receive a rental subsidy from the Shelter+Plus Care Program.

In addition, the project will offer 12 units reserved for households with incomes not exceeding 50 percent AMI. These units are comprised of four 1-bedroom, one 2-bedroom, four 3-bedroom and three 4-bedroom units. There is also one 2-bedroom manager's unit. The affordability period will run for 55 years, effective from the date of the Loan Agreement.

The development is a collaborative effort between the Developer and A Community of Friends (ACOF). The Developer will be the project sponsor and owner and be responsible for operating the facility. ACOF, which is experienced in providing case management and mental health treatment, will employ the staff and provide the majority of the program services, including outreach, basic needs, mental health care, psychosocial and vocational services, advocacy/education, support systems and crisis intervention. In addition, the Developer will coordinate with other community-based service providers for the provision of job training, skills development and other services to improve the residents' quality of life.

The project is being federally funded and is not subject to the requirements of the Greater Avenues for Independence (GAIN) Program implemented by the County of Los Angeles. Instead, the Developer must comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

ENVIRONMENTAL DOCUMENTATION:

An Environmental Assessment was prepared for the project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). This document describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was

approved by the Community Development Commission on September 12, 2003. Following the required public and agency comment period, HUD issued a Release of Funds for the project, effective November 6, 2003.

Consistent with the provisions of the CEQA Guidelines, Article 14, Section 15221, notice was provided to the public that the Environmental Assessment would be used in place of an Initial Study to satisfy CEQA requirements. The Environmental Assessment/Mitigated Negative Declaration (EA/MND) was circulated for public review as required by state and local law, and the EA/MND, in conjunction with the Mitigation and Monitoring Plan, meets the requirements of CEQA.

Approval of the EA/MND, including the Mitigation and Monitoring Plan, and filing of a Notice of Determination with the County Clerk, will satisfy CEQA requirements. A fee must be paid to the State Department of Fish and Game when certain notices required by CEQA are filed with the County Clerk. The Commission is exempt from paying this fee when your Board finds that the project will have no significant impact on wildlife resources. The project is located in an urban setting, and the EA/MND concludes there will be no adverse effect on wildlife resources.

The environmental review record for this project is available for viewing by the public during regular business hours at the Commission's main office located at 2 Coral Circle, in the City of Monterey Park.

IMPACT ON CURRENT PROGRAM:

The proposed action will assist in providing affordable rental housing to very low-income individuals and families, including families having an adult member with a mental disability.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachments: 3

Attachment A

HOUSING FINANCIAL ANALYSIS Las Flores

The project consists of 25 units of multifamily housing to be located at 1074 South Rowan Avenue and 1063 and 1073 South Eastman Avenue, in unincorporated East Los Angeles. The units will be developed using a Commission Home Investment Partnerships (HOME) Program loan and Community Development Block Grant (CDBG) loan. The remaining unit will serve as a manager's unit. All assisted units will be reserved for very low-income individuals and families, defined as those whose incomes do not exceed 50 percent of the Area Median Income for the Los Angeles/Long Beach Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development (HUD). The following is a financial analysis of the project.

	TOTAL	PER UNIT AVERAGE
Construction Phase		
Total Development Cost	\$7,473,196	\$298,928
<u>Sources</u>		
Construction Loan	\$4,138,000	\$165,520
Tax Credit Equity - 4%	\$224,100	\$8,964
City of Industry Fund Loan	\$1,267,430	\$50,697
Commission HOME Loan	\$1,061,663	\$42,467
Commission CDBG Loan	\$50,000	\$2,000
Deferred Interest	\$89,300	\$3,572
General Partner Capital Contrib.	\$261,300	\$10,452
Deferred Costs	\$381,403	\$15,256
Total	\$7,473,196	\$298,928
Permanent Phase		
<u>Uses</u>		
Total Development Cost	\$7,473,196	\$298,928
<u>Sources</u>		
CalHFA Loan	\$571,200	\$22,848
City of Industry Fund Loan	\$1,267,430	\$50,697
Tax Credit Equity - 4%	\$2,241,300	\$89,652
Multifamily Housing Program Loan	\$1,447,000	\$57,880
Deferred Interest	\$89,300	\$3,572
General Partner Capital Contrib.	\$261,300	\$10,452
Deferred Developer Fee	\$66,000	\$2,640
Commission CDBG Loan	\$50,000	\$2,000
Commission HOME Loan	\$1,479,666	\$59,187
Total	\$7,473,196	\$298,928

The Honorable Board of Commissioners

6/3/2004

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LOAN AGREEMENT

by and between the

**COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES**

a public body corporate and politic

and

CAMINO DE LAS FLORES LIMITED PARTNERSHIP

a California limited partnership

for loans in the initial principal amounts of

\$1,479,666 (HOME)

and

\$50,000 (CDBG)

_____, 200__

LOAN AGREEMENT
(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

Transaction Summary

Project Name: Las Flores

Borrower Name: Camino de Las Flores Limited Partnership

☒ Limited Partnership ☐ LLC ☐ Nonprofit Public Benefit Corporation ☐ Other _____

State of Formation of Borrower Entity: ☒ California; ☐ Delaware; ☐ Other _____ (specify)

HOME Loan Amount: \$1,479,666 Interest Rate: [3%] ([10%] default)

Loan repayment term: 55 years. Repayment type: [Pro-rata%] share of residual receipts

CDBG Loan Amount: \$50,000 Interest Rate: [3%] simple ([10%] default)

Loan repayment term: 55 years. Repayment type: [Pro-rata%] share of residual receipts Total

Number of Units in Project: 25

Number of HOME-Assisted Units in Project: 24

Location (Jurisdiction): East Los Angeles ☐ Incorporated ☒ Unincorporated Site Acreage: 37,000 SF Bldg. Sq. Feet: 36,851

Project Type: Rental units for income-qualified: ☐ emancipating foster youth; ☐ persons with developmental disabilities; ☐ persons suffering with HIV or AIDS; ☒ persons with mental illness; ☐ victims of domestic violence

Use of HOME Funds: ☒ Acquisition; ☒ Predevelopment; ☒ Construction; ☒ Permanent

Use of CDBG Funds: ☒ Acquisition; ☒ Certain Predevelopment & Infrastructure; ☒ Construction; ☒ Permanent

Affordability (# assisted units, income levels): 24 HOME-Assisted Units and 1 Non-HOME Manager Unit.

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
35% Income*						
40% Income*		4	2	3	3	12
45% Income*						
50% Income*		4	1	4	3	12
Manager (Non-HOME)			1			1
Totals		8	4	7	6	25

* Area Median Income

Term of Affordability: 55 years.

Other Project Financing Sources / Priority Relative to HOME and CDBG Loans:

(1) CalHFA Permanent Loan \$571,200	<input checked="" type="checkbox"/> senior	<input type="checkbox"/> junior	<input type="checkbox"/> NA
(2) Multifamily Housing Program \$1,447,000	<input checked="" type="checkbox"/> senior	<input type="checkbox"/> junior	<input type="checkbox"/> NA
(3) Industry Fund Loan \$1,267,430	<input type="checkbox"/> senior	<input checked="" type="checkbox"/> junior	<input type="checkbox"/> NA
(4) Tax Credits\$2,41,300	<input type="checkbox"/> senior	<input type="checkbox"/> junior	<input checked="" type="checkbox"/> NA
(5) Deferred Developer Fee \$66,000	<input type="checkbox"/> senior	<input type="checkbox"/> junior	<input checked="" type="checkbox"/> NA
(6) Deferred Interest \$89,300	<input type="checkbox"/> senior	<input type="checkbox"/> junior	<input checked="" type="checkbox"/> NA
(7) GP Capital Contribution \$261,300	<input type="checkbox"/> senior	<input type="checkbox"/> junior	<input checked="" type="checkbox"/> NA

The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan Agreement shall control.

THIS LOAN AGREEMENT ("**Agreement**") is made as of the ____ day of _____, 200__, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("**COMMISSION**"), and CAMINO DE LAS FLORES LIMITED PARTNERSHIP, a California limited partnership (listed in the Transaction Summary above) ("**Borrower**"). COMMISSION and Borrower are sometimes referred to collectively herein as the "**Parties**" and each individually as a "**Party**."

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **One Million Four Hundred Seventy Nine Thousand Six Hundred Sixty Six Dollars (\$1,479,666)** (the "**HOME Loan**") from COMMISSION for the purpose of providing financing for the acquisition of the Site (as hereinafter defined), predevelopment financing, construction financing and permanent financing in connection with the Twenty-Four (24) HOME assisted units ("HOME Units") in the housing development ("**Project**") described in the Transaction Summary above, and as more particularly described in this Agreement. The HOME Loan will be secured by the Deed of Trust ("Deed of Trust"). COMMISSION's source of funding for the Loan is provided from the HOME Investment Partnerships Program, 24 CFR Part 92 ("**HOME**"). The Project will be developed on a site commonly known by the following street address: 1074 S. Rowan, 1063 and 1073 S. Eastman Avenue, Los Angeles, CA 90023 ("**Site**") legally described on Exhibit "B" to this Agreement. A detailed Project description is attached hereto as Exhibit "G", and reduced site plans and elevations for the Project are attached as Exhibit "H".

B. WHEREAS, Borrower also desires to borrow the principal amount **Fifty Thousand Dollars (\$50,000)** (the "**CDBG Loan**") from COMMISSION for the purpose of certain predevelopment and offsite infrastructure costs and construction financing, and permanent financing in connection with Project. COMMISSION's source of funding for the Loan is provided from Community Development Block Grant Program, 24 CFR Part 570 ("**CDBG**").

C. WHEREAS, other sources of financing for the Project are anticipated to include, but may not be limited to (i) senior lien financing listed in the Transaction Summary above, to which COMMISSION shall expressly subordinate the liens of COMMISSION's Deed of Trust ("**Senior Financing**"); (ii) financing junior in priority to the liens of Deed of Trust, as listed in the Transaction Summary above ("**Junior Financing**"); and (iii) other financing sources listed in the Transaction Summary above ("**Other Financing**").

D. WHEREAS, development and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of very low-income as described in the Transaction Summary above; and the Project will provide supportive services to the extent described in Section 7 below and in Exhibit "I".

E. WHEREAS, as more particularly provided below, Borrower will deliver to COMMISSION, among other items, the "Deed of Trust", and the "CC&Rs" (as those terms are defined below) to, respectively, secure repayment of the Loan by Borrower as provided herein and to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

F. WHEREAS, COMMISSION desires to make the HOME Loan and CDBG Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

A G R E E M E N T

1.0 COMMISSION LOANS{tc \1 "1. HACOLA LOAN}.

COMMISSION agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the HOME Loan and CDBG Loan (collectively known as "Loans") to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTES; LOAN REPAYMENT{tc \1 "2. PROMISSORY NOTE; LOAN REPAYMENT}.

2.1 Note{tc \2 "2.1 Note}.

(A) HOME Loan. As one of the conditions to disbursement of the HOME Loan to Borrower under Section 6 below, Borrower shall execute a HOME Promissory Note (the "**HOME Note**") in the form of Exhibit "C.1" attached hereto, which HOME Note sets forth terms and conditions for the repayment of the HOME Loan. The Note shall be secured by the "HOME Deed of Trust" in the form of Exhibit "D" attached hereto.

(B) CDBG Loan. As one of the conditions to disbursement of the CDBG Loan to Borrower under Section 6 below, Borrower shall execute a CDBG Promissory Note (the "**CDBG Note**") in the form of Exhibit "C.2" attached hereto, which CDBG Note sets forth terms and conditions for the repayment of the CDBG Loan. The CDBG Note shall be secured by the "Deed of Trust" in the form of Exhibit "D." attached hereto. Borrower shall comply with all applicable regulations contained in the Davis-Bacon Act for construction of all off-site improvements. All off-site contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C Section 327-332) and the Copeland Act (Anti-Kickback Act) requirement pursuant to 24 CFR Part 3 and the Commission's Labor Compliance Guidelines incorporated herein by reference and made a part of this Agreement.

The HOME Note and CDBG Note are hereby collectively known as "Notes."

2.2 Interest{tc \2 "2.2 Basic Interest}.

(A) HOME Loan. The disbursed and unpaid principal balance of the HOME Loan shall bear interest commencing on the date on which such HOME Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**HOME Basic Rate**"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, and without limiting any other remedy of Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum, compounded monthly ("**HOME Default Rate**").

(B) CDBG Loan. The disbursed and unpaid principal balance of the CDBG Loan shall bear interest commencing on the date on which such CDBG Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**CDBG Basic Rate**"). Notwithstanding the foregoing, and without limiting any other remedy of the Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum ("**CDBG Default Rate**").

2.3 Payment Dates and Amounts; Term 2.3 Payment Dates and Amounts.

(A) HOME Loan. The Borrower shall submit in good faith an application to the California Tax Credit Allocation Committee ("TCAC") or whatever state agency which shall administer the Low Income Housing Tax Credit Program, for an allocation of Federal and/or State Tax Credits ("Tax Credits"). In the event that Tax Credits are obtained for the Project, upon receipt of the equity payments from the syndication of the Tax Credits, the Borrower shall apply the proceeds of the equity payments from the syndication of Tax Credits (1) to pay for the Project's construction costs and (2) to the Commission as repayment on the disbursed and unpaid principal of the HOME Loan. The Borrower has also submitted in good faith an application to the Housing Authority of County of Los Angeles ("HACOLA") for an allocation of Industry Funds ("Industry Funds").

If the equity proceeds, if any, received from the syndication of the tax credits, exceed the amount of \$2,241,300, the excess amount shall be applied as follows: (1) to pay the deferred developer fee of \$66,000 to the Borrower, up to the maximum amount allowed by TCAC; and (2) to pay any outstanding balance, including accrued interest on the HOME Loan to the Commission.

As set forth in greater detail in the HOME Note, Borrower shall repay the HOME Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("**HOME Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the HOME Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the HOME Loan by the sum of the outstanding principal balance of the HOME Loan and the outstanding principal balances of all other Residual Receipts loans, including but not limited to the proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION. Notwithstanding any other provision of the HOME Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest and any other sums payable under the HOME Note shall be due and payable in full on the HOME Maturity Date.

(B) CDBG Loan. As set forth in greater detail in the CDBG Note, Borrower shall repay the CDBG Loan, together with accrued interest at the CDBG Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("**CDBG Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the

CDBG Permanent Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the CDBG Loan by the sum of the outstanding principal balance of the CDBG Loan and the outstanding principal balances of all other Residual Receipts loans, including but not limited to the proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION. Notwithstanding any other provision of the CDBG Permanent Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the CDBG Permanent Note shall be due and payable in full on the CDBG Maturity Date.

The term of this Agreement (the “**Term**”) shall be from the date of this Agreement through and including the HOME and CDBG Maturity Date; provided, however, that the use restrictions in Section 10 and the nondiscrimination covenants in Section 11 shall extend beyond the Term as provided in those sections.

2.4 Payments Due on Transfer or Refinance. In addition to the payments provided in Section 2.3 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loans, the “Applicable Percentage” of “Net Proceeds” of an “Assignment” and ten percent (10%) of “Net Refinancing Proceeds” received from a “Refinancing”, as such terms are defined in the Notes.

3.0 ACCELERATION.

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any “Event of Default” as set forth in Section 15 below, the entire outstanding principal balances of the Notes together with any outstanding interest and other amounts payable thereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

At any time after the disbursement of the Loans proceeds, Borrower may prepay all or a portion of the unpaid principal amounts of the Loans and accrued interest and any other sums outstanding without penalty. Borrower hereby agrees and understands that the prepayment of the Notes shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loans’ principal or interest thereon) due under the Notes or this Agreement, then toward outstanding interest accrued at the “Default Rate” of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the HOME or CDBG Basic Rate, if any, and finally toward the remaining principal balance under the Notes.

5.0 SECURITY AND SOURCE OF PAYMENT{tc \11 "5. SECURITY AND SOURCE OF PAYMENT}.

Borrower's obligation to repay the Loans and any associated interest and other amounts payable under this Agreement or the Notes shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("**Deed of Trust**"), in the form of Exhibit "D" attached hereto, recorded against Borrower's fee interest in the Site and the Project (collectively, the "**Property**"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loans, the Loans are nonrecourse obligations of Borrower, and in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Loan Documents shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the Loans.

6.0 ESCROW; CONDITIONS TO FUNDING THE LOANS{tc \11 "6. ESCROW; CONDITIONS TO FUNDING THE LOAN}.

6.1 Except to the extent COMMISSION's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the Loans proceeds for the account of Borrower, delivery of the executed Notes to COMMISSION, and recordation of the Deed of Trust and other Loan Documents (as defined in Section 6.2(5) below) to be recorded shall be carried out through an escrow account ("**Escrow**") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by COMMISSION ("**Escrow Holder**"). Borrower shall obtain COMMISSION's approval of an Escrow Holder and open Escrow not later 90 days following execution of this Agreement. The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties.

6.2 The obligation of COMMISSION to make disbursements of the Loans proceeds under this Agreement shall be expressly subject to satisfaction of all of the following conditions (collectively, the "**Closing Conditions**") on or before the date ("**Closing Deadline**") which is one year following the date of this Agreement:

- (1) Execution of this Agreement by COMMISSION and Borrower, and delivery of a fully-executed copy to Escrow Holder;
- (2) Borrower's due execution and deposit into Escrow of the Notes;
- (3) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions ("**CC&Rs**") in the form attached hereto as Exhibit "E";

- (4) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust;
- (5) Receipt by COMMISSION from Borrower of such other documents, certifications and authorizations as are reasonably required by COMMISSION, in form and substance satisfactory to COMMISSION, evidencing that (i) this Agreement, the Notes, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (this Agreement, the Notes, the Deed of Trust and the CC&Rs are collectively known as the "**Loan Documents**") are duly and validly executed by Borrower and constitute the valid and enforceable obligation of Borrower pursuant to their respective terms, and (ii) execution and delivery of the Loan Documents, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation nor constitute a default under any instrument or agreement to which Borrower is a party;
- (6) United Title, First American Title, North American Title, Chicago Title, Stewart Title or another title insurer approved by COMMISSION ("**Title Company**") shall have assured COMMISSION in writing that upon recordation of the Deed of Trust there will be provided to COMMISSION, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as COMMISSION shall reasonably require) issued by the Title Company in the amount of the Loans, insuring COMMISSION's interest in the Property as beneficiary under the Deed of Trust, and specifically insuring that the Property is free from stop notices or mechanics liens, and that the lien of the Deed of Trust and the CC&R's against the Property are subject only to the Senior Financing and any exceptions to title applicable to the Property which were expressly approved in writing by COMMISSION (collectively with the Senior Financing, "**Permitted Senior Encumbrances**"). Standard lender's title insurance coverage (without the need for a survey) will be accepted by COMMISSION unless another Project lender requires extended coverage, in which case an ALTA extended coverage policy will also be provided to COMMISSION;
- (7) Borrower, COMMISSION, and any lender, creditor or lienholder with respect to the Junior Financing and Other Financing which is of record in the Los Angeles County Recorder's office (if applicable) have each duly executed (with notary acknowledgment) and deposited into Escrow for recordation at the Close of Escrow a subordination agreement ("**Subordination Agreement**") in the form attached hereto as Exhibit "F", confirming the senior lien priority of COMMISSION's Deed of Trust, if applicable;
- (8) Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of all soils, geologic reports and other development-related reports existing with respect to the Site. Borrower hereby acknowledges that COMMISSION's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.
- (9) Borrower shall have provided to COMMISSION, in form satisfactory to COMMISSION, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the

managing member, managing general partner, or president that such agreement or articles and bylaws has not been amended or modified except as described in the certification, (ii) a good standing certificate or comparable certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing in California, and (iii) all other documents necessary to evidence to COMMISSION's satisfaction that the individuals and entities executing this Agreement and the other Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;

- (10) If the Loan proceeds shall be used to provide financing for acquisition of the Site, COMMISSION loan proceeds disbursed to pay acquisition costs shall be adequately secured by a first lien deed of trust, which may be subsequently subordinated at COMMISSION's sole discretion.

The obligation of COMMISSION to make disbursements of Loan proceeds for construction and/or certain offsite infrastructure financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (10) above:

- (11) Borrower has demonstrated to the satisfaction of the COMMISSION Executive Director (or his or her designee) that all construction and permanent financing sources for development and operation of the Project, including but not limited to Borrower's equity, are or will be available in sufficient amounts to provide for full and timely completion and ongoing operation of the Project.
- (12) Borrower shall have commenced or be ready to commence Project construction, and shall have furnished COMMISSION with copies of (A) a contract for the Project development ("**Construction Contract**") entered into with a general contractor ("**General Contractor**") previously approved in writing by COMMISSION; (B) a payment bond with respect to the Project posted by the General Contractor which is in an amount not less than fifty percent (50%) of the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to COMMISSION, is in form and content reasonably approved by COMMISSION, has been recorded in the Official Records of Los Angeles, and names COMMISSION as an additional obligee; (C) a performance bond guaranteeing the completion of the Project development which is in form and content reasonably approved by COMMISSION, is issued by a surety reasonably acceptable to COMMISSION, and names COMMISSION as an additional obligee; and (D) any other plans, documents and approvals by COMMISSION required under Exhibit "L" to this Agreement, entitled "Construction Requirements".
- (13) Borrower shall have obtained COMMISSION's written approval of a Multi-Party Construction Disbursement Agreement and supplemental instruction to Escrow Holder, if applicable, specifying the applicable payees and uses of Loan proceeds when disbursed by Escrow Holder for the account of Borrower pursuant to this Agreement.
- (14) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing the coverages required by Section 9.8 below.

The obligation of COMMISSION to make disbursements of Loan proceeds for permanent financing and/or convert the Loan proceeds for construction financing to permanent financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (14) above:

- (15) Borrower shall have provided COMMISSION, not later than 90 days prior to occupancy, with affirmative action and minority and women business enterprise plans in form satisfactory to COMMISSION.
- (16) Borrower shall have furnished COMMISSION no later than 180 days prior to occupancy of the Project and obtained COMMISSION's approval of an operating budget and management plan for the Project. The Management Plan shall include a preliminary Operating Budget, in a format mandated by COMMISSION, and approved by COMMISSION at its sole discretion. In the event the preliminary Operating Budget is proposed for revision, any such revision must be submitted to COMMISSION no later than 90 days prior to occupancy of the Project and shall be approved by COMMISSION at its sole discretion.
- (17) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to the Senior Financing, Other Financing, or Junior Financing,
- (18) Borrower shall have furnished COMMISSION with a certification from the holders of any of the Senior Financing, Other Financing, or Junior Financing certifying that such holders consent to the Loan and that Borrower is not in default under any loan comprised within the Senior Financing, Other Financing, or Junior Financing.
- (19) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing that the Borrower has achieved "Completion of the Project" as required by Section 9.12 below.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained COMMISSION's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project including specifically the procedures to be employed by which the tenants of the "Assisted Units" (as defined in Section 10.1 below) in the Project shall be selected in the event that, at any given time, the number of Eligible Households applying to lease units at the Project exceeds the number of units available.

6.3 When, and only when, Escrow Holder has confirmed that Closing Conditions (1), (2), (3), (4), (6) and (7) of Section 6.2 above have been satisfied, and has received written certification from COMMISSION's Executive Director that all other Closing Conditions (1) – (10) have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("**Close of Escrow**") by:

- (i) causing the Deed of Trust, the CC&Rs and the executed Subordination Agreements (if any) to be recorded in the Official Records of Los Angeles County, California;
- (ii) delivering the executed original Notes to COMMISSION;

(iii) causing the Title Policy to be issued to COMMISSION in the form and amount specified above;

(iv) disbursing the Acquisition and Predevelopment portion of the Loan proceeds to the extent provided for pursuant to the supplemental instructions to Escrow Holder approved pursuant to Section 6.2(13) above; and

(v) promptly following recordation, delivering conformed copies of the recorded documents to COMMISSION and Borrower.

6.4 Subsequent disbursements of Loans' proceeds for construction, off-site infrastructure and permanent financing shall be made by COMMISSION upon satisfaction of applicable Closing Conditions 11 through 14 and 15 through 19 as provided in Section 6.2 above. Subsequent disbursements shall not occur prior to satisfaction of all conditions precedent to the closings for the Senior Financing and the Junior Financing. Notwithstanding any other provision, Escrow Holder shall disburse proceeds of the Loans prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from COMMISSION.

6.5 Time is of the essence with respect to the rights and obligations of the Parties under this Agreement and if the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

7.0 SUPPORTIVE SERVICES

As an additional condition to obtaining the Loans, Borrower shall execute and deliver to COMMISSION on or before the funding of the Loans, a Supportive Services Agreement that identifies services as referenced in the approved City of Industry Fund Application and its amendments, as set forth in the form attached hereto as Exhibit "I". Borrower shall demonstrate to COMMISSION's reasonable satisfaction the availability of resources and its commitment to provide funding for supportive services in an annual amount equal to or greater than as represented in Borrower's approved Industry Fund Application.

As more particularly provided therein, Exhibit "I" sets forth Borrower's obligation to provide supportive services for residents of the Project. Failure to comply with the terms of Exhibit "I" prior to expiration of any applicable notice and cure period will be deemed to be a default under this Agreement.

8.0 PURPOSE OF LOANS- CERTAIN PREDEVELOPMENT EXPENSES; CONSTRUCTION AND PERMANENT FINANCING.

The Loan proceeds shall be used by Borrower only to provide financing for acquisition of the Site and associated costs, certain predevelopment and off-site infrastructure financing, construction financing and permanent financing in connection with the Project. In no event shall Borrower use or otherwise invest the proceeds of the Loans except as expressly provided in this Agreement.

8.1 The HOME Loan proceeds shall be used by Borrower only to pay eligible predevelopment costs, and construction costs for the Project as represented in the approved HOME Fund application, and as further described in the Development Proforma (the "Development Proforma") in the form of Exhibit "M". The CDBG Loan proceeds shall be used by Borrower only to

pay offsite construction costs and predevelopment costs for the Project as described in Exhibit "M".

In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement. Distribution of the loan funds for acquisition shall be in accordance with Section 6.2 (1) - (10).

8.2 To the extent otherwise permitted under this Agreement, Borrower (or an affiliate of Borrower previously approved by the Commission) may receive, from the HOME Loan proceeds or other development funds available to Borrower, including equity, a fee ("Developer Fee") not to exceed \$456,000 in connection with development of the Project; provided, however, that the Developer Fee shall not be received earlier than on the following schedule: (i) 25% upon the Close of Escrow for all Project Construction Financing Sources; (ii) 25% at 50% of construction completion; (iii) 25% upon 90% occupancy of the Project; and, (iv) 25% upon signed approval of IRS Form 8609 by California Tax Credit Allocation Committee.

8.3 This schedule of Developer Fee payments excludes any portion of Developer Fee that is deferred as described in Section 2.3 above. The deferred Developer Fee shall be paid from excess equity proceeds from tax syndication or the Developer's 50% share of Residual Receipts up to the amount of deferred developer fee described Section 2.3 above.

8.4 The Loan shall be considered Permanent Financing at such time as the Project is completed in accordance with this Agreement. The Project shall be "completed," which shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with the plans and specifications (collectively, "Plans") referenced in the construction contract ("Construction Contract") which Borrower has entered into with a general contractor ("General Contractor") with respect to the Project, and that all final permits and certificates necessary to the operation of the Project as contemplated herein, and releases, waivers and other instruments evidencing no claims, stop notices or mechanics liens existing with respect to the Project, have been obtained, including, without limitation, the following, each of which is subject to Commission's review and approval:

(a) A signed certificate from the General Contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the Construction Contract, the Plans and this Agreement, and all other related on-site and off-site improvements have been completed;

(b) A certificate of occupancy (the "Certificate of Occupancy") and/or any other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies;

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project.

8.5 Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of the compliance with the environmental mitigation measures specified in the "Environmental Special Conditions" referenced in Exhibit "N". Borrower hereby acknowledges that COMMISSION's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any measure or warranty of the correctness, adequacy or appropriateness of such matter.

9.0 COVENANTS OF BORROWER {tc \11 "9. COVENANTS OF BORROWER}.

As additional consideration for the making of the Loan by COMMISSION, Borrower covenants as follows:

9.1 Compliance with Laws {tc \12 "9.1 Compliance with Laws}. Borrower shall comply with all Applicable Governmental Restrictions. As used herein, "**Applicable Governmental Restrictions**" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; the laws specified in Article 12 below, fair housing laws, prevailing wage laws (e.g. Cal. Labor Code 1720 et seq. and the federal Davis-Bacon Act (40 U.S.C. 276a)), and any other applicable federal, state and local laws. Borrower shall indemnify, defend and hold COMMISSION harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract. Borrower is solely responsible for determining the applicability of laws, and should not rely on statements by COMMISSION.

9.2 Revenue Disclosures {tc \12 "9.2 Revenue Disclosures}. Borrower shall make available for inspection and audit to COMMISSION's representatives, upon seventy-two (72) hours' written request, from time to time during the Term, at Borrower's offices, or, if requested by COMMISSION, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the end of the Term; provided that in the event any litigation, claim or audit is started before the expiration of the Term, said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 Other Reports {tc \12 "9.3 Other Reports}. Upon seventy-two (72) hours' written notice, from time to time during the Term, Borrower shall prepare and submit to COMMISSION, any financial, program progress, monitoring, evaluation or other reports (including, but not limited to, documents related to construction and project financing) reasonably required by COMMISSION or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to COMMISSION within such seventy-two- (72-) hour period, then within a reasonable time thereafter. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of COMMISSION representatives, may be relevant to a question of compliance with this Agreement, the CC&Rs or the Deed of Trust. Borrower shall retain all existing

records and data relating to the Project until expiration of the Term. In the event any litigation, claims or audit is started during the Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Indemnification. From and after the date hereof, Borrower shall indemnify, defend and save harmless COMMISSION and COMMISSION's board members, directors, agents, officers and employees from and against any and all claims, liability, demands, causes of action, losses and expense, including reasonable defense costs and legal fees of counsel acceptable to COMMISSION (collectively, "**Claims**"), including, but not limited to Claims for bodily injury, death, property damage, workers' compensation, or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement, and which Claims (i) are based on events which occur or are claimed to have occurred during Borrower's ownership of the Site or the Project, (ii) result directly or indirectly from Borrower's ownership of the Site or the Project, or (iii) result directly or indirectly from COMMISSION's entering into this Agreement and/or making the Loans to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of COMMISSION.

9.5 Audit by State and Federal Agencies. In the event this Agreement or the Loans are subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Borrower shall comply with such inspections and pay on behalf of itself and COMMISSION the full amount of the cost to the inspecting agency which results from such inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of COMMISSION.

9.6 Program Evaluation and Review. Borrower shall allow COMMISSION-authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interviewing of Borrower's staff, tenants, and other program participants, as reasonably required by COMMISSION during the Term.

9.7 Hazardous Materials. Borrower represents and warrants that it has not deposited "Hazardous Materials" (as defined below) in, on or upon the Site and Borrower covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Site or the Project as of the date hereof or which are deposited in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of all Applicable Governmental Restrictions, including, without limitation, all applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary to the normal course of business in the operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all Applicable Governmental Restrictions. Except with respect to any claims solely caused by COMMISSION, Borrower shall indemnify, defend and hold COMMISSION and its members, directors, agents, officers and employees harmless from and against any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and

(ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Site and the Project, as required above. Except with respect to any claims solely caused by COMMISSION, Borrower hereby releases and forever discharges COMMISSION and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

For purposes of this Agreement, the term "**Hazardous Materials**" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 9601 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

In the event that archeological resources are exposed during Project construction, all earth disturbing work within the Site must be temporarily suspended or redirected until a professional archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume.

9.8 ~~Insurance~~^{tc \12} "9.8 ~~Insurance~~". Without limiting Borrower's indemnifications of COMMISSION provided in this Agreement, Borrower shall procure and maintain at its own expense during the Term the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to COMMISSION certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. Borrower shall deliver satisfactory evidence of issuance of "all risk" property insurance described in (2) below and worker's compensation insurance described in (3) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf.

COMMISSION reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COMMISSION and may provide for such deductibles as may be acceptable to COMMISSION. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect COMMISSION, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that COMMISSION is to be given at least thirty (30) days' written notice in advance of any modification or cancellation of any policy of insurance. Borrower shall give COMMISSION immediate notice of any insurance claim or loss which may be covered by insurance.

(1) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars (\$1,000,000) for each occurrence (Two Million Dollars (\$2,000,000) General Aggregate), including products and completed operations coverage. COMMISSION and its agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to COMMISSION. If required by COMMISSION from time to time, Borrower shall increase the limits of Borrower's liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of COMMISSION.

(2) Property Insurance: "All Risk" ISO Special Form property insurance. Coverage shall include protection for earthquake and flood if this protection is available from responsible carriers at reasonable cost. COMMISSION shall be the loss payee under the aforementioned policy(ies) under a standard lender's loss payable endorsement. The amount of the property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property and the insurer shall waive any coinsurance via an "agreement" endorsement.

(3) Worker's Compensation: Borrower's, employees, if any, of property management assigned to the Project, the general contractor constructing the Project and any affiliates or agents of Borrower shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of One Million Dollars (\$1,000,000) per accident.

(4) Automobile Liability: Combined single limit automobile liability insurance of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the Executive Director of COMMISSION.

Failure on the part of Borrower to procure or maintain the insurance coverage required in this Section 9.8 shall constitute a material breach of this Agreement pursuant to which COMMISSION may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of COMMISSION, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COMMISSION shall be repaid by the Borrower to COMMISSION upon demand including interest thereon at the Default Rate. COMMISSION shall have the right, at its election, to participate in and control any insurance

claim adjustment or dispute with the insurance carrier. Borrower's failure to assert or delay in asserting any claim shall not diminish or impair COMMISSION'S rights against the Borrower or the insurance carrier.

9.9 Financial Statements; Tax Returns 9.9 Financial Statements; Tax Returns. Borrower shall deliver to COMMISSION within one hundred twenty (120) days after the end of each fiscal year of Borrower occurring during the Term, a copy of Borrower's federal tax return and a financial statement for such preceding fiscal year. In addition, concurrent with Borrower's payment of the annual Residual Receipts installment payable to COMMISSION on each March 15th in accordance with Section 2.3 above, Borrower shall deliver to COMMISSION, on forms prepared and provided by COMMISSION from time to time, a statement certified by Borrower's accountant (the "**Annual Statement**"), separately setting forth (i) the aggregate Gross Rents (as defined in the Note) received during the previous calendar year, and (ii) the aggregate Operating Expenses (as defined in the Note) expended during the previous calendar year.

9.10 Other Loans 9.10 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any reasonable cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.11 Relocation Requirements 9.11 Relocation Requirements. If applicable, Borrower shall be responsible for assuring compliance with all relocation requirements as governed by state relocation laws and regulations for projects funded in whole or in part with Industry Funds, including the California Relocation Assistance Law (California Government Code Section 7260 et seq.), Section 33410 et seq. of the California Health and Safety Code, the State Department of Housing and Community Development's implementing regulations known as the California Relocation Assistance and Property acquisition Guidelines (Title 25, California Code of Regulations, Section 6000 et seq.) and the Los Angeles County Community Development Commission's Relocation Policies and Procedures Manual. In circumstances where both federal and state funds are contributed to a program or Project, it is the policy of the COMMISSION to follow the requirements that provide the displaced person or household with the greatest benefit. For example, if in a mixed-funded project, the assistance or benefit under state law is more favorable to the displaced person or household, then the state law applies, and if the opposite is the case, then applicable federal laws and regulations (e.g., Section 4601 et seq. of Title 42 of the United States Code) shall apply. Any relocation assistance shall be provided through and in the manner directed by COMMISSION, provided, however, that Borrower shall indemnify, defend and hold harmless COMMISSION, the Housing Authority of the County of Los Angeles ("**HACOLA**"), and the County of Los Angeles ("**County**") for relocation payments, consulting fees and expenses incurred in connection with the Project. At COMMISSION's election in COMMISSION's sole discretion, COMMISSION may hire a relocation consultant to coordinate the relocation. The fees and costs of the consultant shall be paid or reimbursed by Borrower.

9.12 Construction Requirements. Following the Close of Escrow, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and achieve "Completion of the Project" no later than [18] months following the Close of Escrow, subject to extension for up to an additional 12 months to the extent of force majeure delays beyond Borrower's reasonable

control. "Completion of the Project" shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with this Agreement and as represented in Borrower's approved funding application to COMMISSION, and that all final permits and certificates necessary to the operation of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to COMMISSION's review and approval: (1) a signed certificate from the general contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the plans and this Agreement, and all other related on-site and off-site improvements have been completed; (2) a certificate of occupancy and other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies; and (3) evidence satisfactory to COMMISSION that the statutory period for the filing of mechanics' liens (60 days following filing of the statutory notice of completion) has expired or the lien filing period for subcontractors has expired and the general contractor has executed an unconditional lien waiver and the Property is free from such liens. Construction shall proceed in accordance with Exhibit "L", Construction Requirements, and shall conform to the layout and design represented in Borrower's approved application for the Industry Fund Program. Borrower shall comply with any CEQA mitigation measures or other environmental conditions imposed by COMMISSION or any other applicable governmental authority in connection with the Project.

10.0 USE OF PROPERTY; LEASING AND MANAGEMENT

10.1 Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants shall run with the land and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling units and, with respect to the designated units to be assisted as consideration for the HOME Loan ("**HOME-Assisted Units**"), the tenant income levels, to be as specified in the Transaction Summary above and in the CC&Rs. All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very Low-Income Households" and "Forty Percent Income Households" as specified in the Transaction Summary above, in the CC&Rs and hereinafter defined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). **The twelve units for Forty Percent Households shall be reserved for families having an adult member with a disability.** HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not Assisted Units. Subject to the reasonable approval of COMMISSION's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 10.1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty percent (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"Forty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted

for family size, as defined by HUD.

“Forty Percent Income Households” shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family size, as defined by HUD.

“Thirty-Five Percent Income Households” shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted for family size, as defined by HUD.

“Affordable Housing Cost” shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

“Area Median Income” shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such “Area Median Income.”

10.2 Tenant Selection Process; Reports and Records Concerning Tenancies. Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by COMMISSION to monitor compliance with the tenanting requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to COMMISSION commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by COMMISSION to certify such tenant's qualification for occupancy of the Project. Borrower's

obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.3 Management of Project Subject to the terms and conditions contained hereinbelow, Borrower shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("**Manager**") with respect to the operation of the Project including day-to-day administration, maintenance and repair. Borrower shall, before execution or any subsequent amendment or replacement thereof, submit and obtain COMMISSION's reasonable written approval, which shall not be unreasonably withheld, conditioned or delayed, of a management contract ("**Management Contract**") entered into between Borrower and an entity ("**Management Entity**") reasonably acceptable to COMMISSION. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of COMMISSION. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and COMMISSION. Borrower shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or COMMISSION. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.4 Operations and Maintenance Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Borrower, that Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the CC&Rs and the Deed of Trust.

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Borrower, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any Applicable Governmental Restrictions or the restrictions contained in this Agreement or the Deed of Trust. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the Project, or any portion thereof.

Borrower shall, at its expense, (i) maintain all improvements and landscaping on the Site in good working order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project (which must be approved by COMMISSION before being incorporated into the Construction Contract) (such approved plans, the "Plans") and all Applicable Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with Applicable Governmental Restrictions so as to maintain a safe and attractive living environment for Project residents while maximizing Residual Receipts to the extent reasonably possible consistent with applicable rent and tenant requirements (including all recorded rent restrictions affecting the Project) and without compromising the safety and attractiveness of the living environment of the Project.

11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION{tc \1 "11. BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION}.

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Borrower itself or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

11.1 Form of Nondiscrimination and Nonsegregation Clauses{tc \2 "11.1 Form of Nondiscrimination and Nonsegregation Clauses}.

Borrower shall refrain from restricting the rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

12.0 COMMISSION PROVISIONS{tc \11 "12. COUNTY PROVISIONS}.

Borrower shall comply with the provisions set forth on Exhibit "J" to this Agreement.

13.0 INDEPENDENT CONTRACTOR{tc \11 "13. INDEPENDENT CONTRACTOR}.

In their performance of this Agreement, all parties hereto will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one party shall not be deemed or construed to be the agents or employees of the other party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for furnishing or causing the General Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to this Agreement.

14.0 ASSIGNMENT OF THIS AGREEMENT{tc \11 "14. ASSIGNMENT OF THIS AGREEMENT}.

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION (or COMMISSION's Executive Director), which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this Agreement, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit-worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's obligations under this Agreement and the Notes and all of the other Loan Documents.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of COMMISSION as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the Project, occurring without the written consent of COMMISSION, COMMISSION may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low-income housing tax credits, COMMISSION hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by COMMISSION, which approval shall not be unreasonably withheld.

15.0 EVENTS OF DEFAULT AND REMEDIES 15.0 EVENTS OF DEFAULT AND REMEDIES.

A. Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("**Event of Default**"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loans at the Maturity Date of the Notes;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a thirty- (30-) day period, it shall be deemed cured if Borrower commences the cure within said thirty- (30-) day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described cure periods shall not apply to any Event of Default described in Sections 15(A)(3) through 15(A)(8) below;

(3) The material falsity of any representation or warranty made by Borrower under the terms of this Agreement, the Note, or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner, or majority shareholder, of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary

cessation of the operation of the Project in accordance with this Agreement for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer (as defined below) in violation of Section 14 above or Section 30 below; or

(8) Borrower shall be in default under the CC&Rs, the Senior Financing, the Junior Financing, the Other Financing, the Supportive Services Agreement (if applicable under Section 7 above) or any other secured or unsecured obligation relating to the Project unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. COMMISSION Remedies ~~to~~ "B. HACOLA Remedies". Upon the occurrence of an Event of Default hereunder, COMMISSION may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 5 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COMMISSION, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Note, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(4) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15(A)(4) or 15(A)(5) hereof, COMMISSION shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive{tc \12 "C. No Remedy Exclusive}. No remedy herein conferred upon or reserved to COMMISSION is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

D. COMMISSION Default and Borrower Remedies{tc \12 "D. HACOLA Default and Borrower Remedies}. Upon fault or failure of COMMISSION to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this Agreement or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COMMISSION arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

16.0 Reserved.

17.0 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES{tc \11 "17. AGREEMENT TO PAY ATTORNEY'S FEES AND EXPENSES}.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Agreement or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Agreement or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this Agreement, the Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

18.0 RIGHT OF ACCESS AND INSPECTION{tc \11 "18. RIGHT OF ACCESS AND INSPECTION}.

COMMISSION shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If COMMISSION in its reasonable discretion determines that any work or materials are not in conformity with this Agreement or any Applicable Governmental Restrictions, or the Project is not being operated in conformity with this Agreement or any Applicable Governmental Restrictions, COMMISSION may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (or without notice in the case of an emergency) and the Borrower fails to cure the matter, itself cure the matter. In addition, during the course of construction, COMMISSION may immediately stop the work and order replacement or correction of any work or materials not in conformity with this Agreement or any Applicable Governmental Restrictions. Inspection by COMMISSION of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by COMMISSION or the County of Los Angeles that there has been compliance with any terms or provisions of this Agreement, or that the work will be free of faulty materials or workmanship.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY{tc \11 "19. CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY}.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of COMMISSION participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COMMISSION shall be personally liable in the event of a breach of this Agreement by COMMISSION.

20.0 AMENDMENTS, CHANGES AND MODIFICATIONS{tc \11 "20. AMENDMENTS, CHANGES AND MODIFICATIONS}.

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

21.0 EXECUTION OF COUNTERPARTS{tc \11 "21. EXECUTION OF COUNTERPARTS}.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

22.0 NOTICES{tc \1 "22. NOTICES}.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and addressed or faxed as follows:

If to COMMISSION: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: East LA Community Corporation
530 S. Boyle Avenue
Los Angeles, CA 90033
Attn: Executive Director
Fax No. (323) 261-1065

With a copy to: A Community of Friends
3345 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010
Attn: Executive Director
Fax No. (213) 480-1788

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address or fax to which notice shall be sent pursuant to this Agreement.

23.0 SEVERABILITY{tc \1 "23. SEVERABILITY}.

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

24.0 INTERPRETATION{tc \1 "24. INTERPRETATION}.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit "A" is a directory indicating the location of definitions for certain defined terms used in this Agreement.

25.0 NO WAIVER; CONSENTS{tc \1 "25. NO WAIVER; CONSENTS}.

Any waiver by COMMISSION must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COMMISSION to take action on account of any default of Borrower. Consent by COMMISSION to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for COMMISSION's consent to be obtained in any future or other instance.

26.0 GOVERNING LAW{tc \1 "26. GOVERNING LAW}.

This Agreement shall be governed by the laws of the State of California.

27.0 REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER{tc \1 "27. REPRESENTATIONS AND WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER}.

Borrower hereby represents, warrants and covenants to COMMISSION that:

A. Organization and Standing{tc \12 "A. Organization and Standing}. Borrower is a legal entity as described in the Transaction Summary above, duly formed, qualified to operate in California and validly existing and in good standing in the State of California, and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability{tc \12 "B. Enforceability}. This Agreement, the Note, the Deed of Trust, the CC&Rs, and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents{tc \12 "C. Authorization and Consents}. The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, or articles and bylaws governing Borrower, and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution{tc \12 "D. Due and Valid Execution}. This Agreement and

Loan Agreement

all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses{tc \12 "E. Licenses}. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance{tc \12 "F. Litigation and Compliance}. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to COMMISSION) which could impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could impair Borrower's ability to perform its obligations under this Agreement.

G. Default{tc \12 "G. Default}. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations{tc \12 "H. No Violations}. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

I. No Affiliation with Lenders{tc \12 "I. No Affiliation with Lenders}. Borrower is not under common ownership or is otherwise affiliated with any lender extending any Project Loan (as defined in the Note).

28.0 APPROVALS{tc \11 "28. APPROVALS}.

Any consent to a transfer under Section 14 or 30 of this Agreement, and any other consent or approval by COMMISSION under this Agreement or any of the Loan Documents, may be given by COMMISSION's Executive Director without action of COMMISSION'S governing board unless the Executive Director in his or her sole discretion elects to refer the matter to COMMISSION's governing board.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this Agreement shall be solely for the benefit of COMMISSION, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not COMMISSION shall be solely responsible for assuring compliance with laws, and the operation of the project.

29.0 GOOD FAITH AND FAIR DEALING{tc \11 "29. GOOD FAITH AND FAIR DEALING}.

COMMISSION and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

30.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT{tc \11 "30. ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT}.

30.1 Without the prior written approval of COMMISSION (or COMMISSION's Executive Director), which approval COMMISSION may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "**Transfer**") all or any portion of its interest in the Site or the Project (excluding tenant leases pursuant to the terms hereof); (ii) permit the Transfer of greater than forty-nine percent (49%) of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Notwithstanding the foregoing, COMMISSION hereby consents to the events described in the third paragraph of Section 14.0 hereof without Borrower obtaining any further consent from COMMISSION. Borrower hereby agrees that any purported Transfer not approved by COMMISSION as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

30.2 At any time Borrower desires to effect a Transfer hereunder, Borrower shall notify COMMISSION in writing (the "**Transfer Notice**") and shall submit to COMMISSION for its prior written approval (i) all proposed agreements and documents (collectively, the "**Transfer Documents**") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to COMMISSION sufficient to establish and ensure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by COMMISSION unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that COMMISSION consent to the proposed Transfer. COMMISSION agrees to make its decision on Borrower's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after COMMISSION receives the last of the items required by this Section 30. In the event COMMISSION consents to a proposed Transfer, then such Transfer shall not be effective unless and until COMMISSION receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to COMMISSION. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent to such effective date.

30.3 Notwithstanding anything in this Agreement to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not COMMISSION's consent is required therefor and even if COMMISSION has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to COMMISSION or at any time thereafter until such Event of Default has been cured.

30.4 The provisions of this Section 30 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

31.0 HOME PROGRAM AND FEDERAL REQUIREMENTS

Loan Agreement

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the HOME Program Requirements, a summary of which is included in Exhibit "K", attached hereto. This Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act of 1990, 24 CFR Part 85, and 24 CFR part 570.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

**COMMUNITY DEVELOPMENT COMMISSION OF
THE
COUNTY OF LOS ANGELES**

By: _____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:

Lloyd W. Pellman, County Counsel

By: _____
Deputy

BORROWER:

CAMINO DE LAS FLORES LIMITED
PARTNERSHIP,
a California limited partnership

BY: EAST LA COMMUNITY CORPORATION,
a California non-profit public benefit corporation,
its general partner

By: _____
Name: _____
Title: _____

BY: _____

By: _____
Name: _____
Title: _____

TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
EXHIBIT "B"	SITE LEGAL DESCRIPTION
EXHIBIT "C"	PROMISSORY NOTE
	C.1 HOME PROMISSORY NOTE
	C.2 CDBG PROMISSORY NOTE
EXHIBIT "D"	DEED OF TRUST
EXHIBIT "E"	CC&RS
EXHIBIT "F"	SUBORDINATION AGREEMENT – not applicable
EXHIBIT "G"	PROJECT DESCRIPTION
EXHIBIT "H"	SITE PLANS & ELEVATIONS
EXHIBIT "I"	SUPPORTIVE SERVICES AGREEMENT
EXHIBIT "J"	COMMISSION PROVISIONS
EXHIBIT "K"	HOME PROGRAM REQUIREMENTS
EXHIBIT "L"	CONSTRUCTION REQUIREMENTS
EXHIBIT "M"	DEVELOPMENT PROFORMA
EXHIBIT "N"	SPECIAL ENVIRONMENTAL CONDITIONS
EXHIBIT "O"	DAVIS BACON WAGE DETERMINATION

EXHIBIT “A” TO LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

(HOME - PROJECT NO. HE0077)

(CDBG - PROJECT NOS. 600611-03; 600612-03)

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Affordable Housing Cost (Section 10.1)
 Agreement (Preamble)
 Annual Statement (Section 9.9)
 Applicable Governmental Restrictions
 (Section 9.1)
 Applicable Percentage (Section 2.4)
 Area Medium Income (Section 10.1)
 Assignment (Section 2.4)
 Assisted Units (Section 10.1)
 Basic Rate (Section 2.2)
 Borrower (Preamble)
 CC&Rs (Section 6.2(3))
 CDBG (Recital B)
 CDBG Loan (Recital B)
 Certificate of Occupancy (Section 8.4(b))
 Claims (Section 9.4)
 Close of Escrow (Section 6.3)
 Closing Conditions (Section 6.2)
 Closing Deadline (Section 6.2)
 COMMISSION (Preamble)
 Completion of the Project (Section 9.12)
 Construction Contract (Section 6.2(11))
 County (Section 9.11)
 Deed of Trust (Section 5)
 Default Rate (Section 2.2)
 Eligible Households (Section 10.1)
 Escrow (Section 6.1)
 Escrow Holder (Section 6.1)
 Event of Default (Section 15A)
 Forty Percent Households (Section 10.1)
 General Contractor (Section 6.2(12))
 Gross Rents (Section 9.9)
 Hazardous Materials (Section 9.7)
 HOME (Recital A)
 HOME Loan (Recital A)
 Industry Funds (Section 2.3A)
 Junior Financing (Recital C)
 Loans (Section 1.0)

Loan Documents (Section 6.2(5))
 Management Contract (Section 10.3)
 Management Entity (Section 10.3)
 Manager (Section 10.3)
 Maturity Date (Section 2.3)
 Net Proceeds (Section 2.4)
 Net Refinancing Proceeds (Section 2.4)
 Note (Section 2.1)
 Operating Expenses (Section 9.9)
 Other Financing (Recital C)
 Parties (Preamble)
 Party (Preamble)
 Permitted Senior Encumbrances
 (Section 6.2(6))
 Plans (Section 10.4)
 Project (Recital A)
 Property (Section 5)
 Refinancing (Section 2.4)
 Residual Receipts (Section 2.3)
 Senior Financing (Recital C)
 Site (Recital A)
 Subordination Agreement (Section 6.2(7))
 Term (Section 9.2)
 Title Company (Section 6.2(6))
 Transfer (Section 30.1)
 Transfer Documents (Section 30.2)
 Transfer Notice (Section 30.2)
 Very Low Income Households (Section 10.1)
 Very Very Low-Income Households
 (Section 10.1)

EXHIBIT “B” TO LOAN AGREEMENT

LEGAL DESCRIPTION OF THE SITE

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

PARCEL 1:

THAT PORTION OF LOT 82 OF DORRIS TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 15 PAGE (S) 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING NORTHERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT, DISTANT NORTHERLY THEREON 21 FEET FROM THE SOUTHEASTERLY CORNER OF SAID LOT; THENCE WESTERLY PARALLEL WITH THE SOUTHERLY LINE OF SAID LOT, A DISTANCE OF 135 FEET; THENCE NORTHWESTERLY IN A DIRECT LINE TO A POINT IN THE WESTERLY LINE OF SAID LOT, DISTANCE NORTHERLY THEREON 36 FEET FROM THE SOUTHWESTERLY CORNER OF SAID LOT.

PARCEL 2:

LOT 92 OF THE DORRIS TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 15 PAGE (S) 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOT 93 OF THE DORRIS TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 15 PAGE (S) 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 91 OF THE DORRIS TRACT IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 15 PAGE (S) 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

THAT PORTION OF LOT 90, OF THE DORRIS TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 15 PAGE (S) 33 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEASTERLY CORNER OF SAID LOT 90; THENCE WESTERLY ALONG THE NORTHERLY LINE OF SAID LOT 90, A DISTANCE OF 150.00 FEET TO THE NORTHWESTERLY CORNER OF SAID LOT 90; THENCE ALONG THE WESTERLY LINE OF SAID LOT 90, SOUTH $0^{\circ} 16' 23''$ EAST, 3.32 FEET; THENCE NORTH $89^{\circ} 50' 00''$ EAST 139.95 FEET; THENCE NORTHEASTERLY ALONG A TANGENT CURVE CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 14.00 FEET; THROUGH A CENTRAL ANGLE OF $45^{\circ} 40' 41''$ AN ARC DISTANCE OF 11.16 FEET TO A POINT ON THE EASTERLY LINE OF SAID LOT 90; DISTANT SOUTHERLY 2.18 FEET FROM SAID NORTHEASTERLY CORNER OF SAID LOT 90; THENCE NORTHERLY ALONG SAID EASTERLY LINE 2.18 FEET TO THE POINT OF BEGINNING.

EXCEPT ALL MINERALS, OIL, GASES AND OTHER HYDROCARBON BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THAT PORTION OF SAID LOT 90, AS RESERVED BY STATE OF CALIFORNIA DEPARTMENT OF PUBLIC WORKS, IN DEED RECORDED JANUARY 16, 1957 IN BOOK 53379 PAGE 256, OF OFFICIAL RECORDS, WHICH DEEDS PROVIDES WITHOUT HOWEVER THE RIGHT TO DRILL, DIG OR MINE, THROUGH THE SURFACE OF SAID LAND THEREFOR.

EXHIBIT “C” TO LOAN AGREEMENT

PROMISSORY NOTE

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

EXHIBIT “D” TO LOAN AGREEMENT

DEED OF TRUST

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

EXHIBIT “E” TO LOAN AGREEMENT

CC&RS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

EXHIBIT “F” TO LOAN AGREEMENT

SUBORDINATION AGREEMENT

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(NOT APPLICABLE)

EXHIBIT “G” TO LOAN AGREEMENT

PROJECT DESCRIPTION

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

Las Flores
1074 South Rowan & 1063, 1073 South Eastman Avenue,
Los Angeles, CA 90023
Program Description

Type of Development:

The Las Flores development will include 25 new construction multifamily affordable housing units. Twelve of the twenty-five units will serve households that are homeless or at-risk of homelessness and that also include a mentally disabled adult. The Supportive Housing units represent 48% of the total units. The project consists of eight (8) one-bedroom units at 500-550 square feet each. There are four (4) two-bedroom units at 800-900 square feet each (including manager's units); seven (7) three-bedroom units at 1,000 square feet each; six (6) four-bedroom units at 1,200 square feet each.

The site totals about 37,687 square feet in land just north of the 5 Freeway and south of Whittier Boulevard on Dennison between Rowan and Eastman Avenue. The site currently holds a 4,000 square foot building, a 1,200 square foot single-family home and a large parking area. The large building on the site is in fair condition, while the single-family home shows signs of many years of deferred maintenance. There is one resident that currently lives on site. The resident is the care taker of the property and will be relocated prior to construction and as per an approved relocation plan by the County. The property is zoned R-3. Up to 25 units of multifamily housing can be built on the site without a density bonus. The neighborhood includes a mix of duplexes and apartment buildings.

Target Tenant Population and Income and Services:

Twelve of the twenty-five units will serve households that are homeless or at-risk of homelessness and that also include a mentally disabled adult. The Supportive Housing units represent 48% of the total units. The average median income in East Los Angeles was \$24,157. This is approximately 50% of the current Los Angeles Metropolitan Statistical Area medium-income for a family of four (1990 Census). As a further testament of this project's intent to appropriately address the needs of the surrounding community, the rent schedule reflects the rents at or below 50% of the Area Median Income.

The Las Flores development will include community/multi-purpose room for use by the residents of the development. The community room may also be utilized for events such as neighborhood meetings, support groups and child/holiday activities. Community space in this development will consist of a large meeting area, laundry room equipped with 3 pairs of washers and dryers, a toilet, and a janitor's closet. Views of the courtyard area for easy child supervision are provided.

The garden courtyard will contain open common area and transitional private entry patios to the individual units. The large common area will contain seating areas under shade trees, tot-lot play area, BBQ's in multiple locations, and an open general gathering area. The landscaping is made up of both hardscape and softscape. The hardscape will be paved by the use of stamped concrete, while the softscape will be achieved through

well designed landscaping and a mixture of deciduous and evergreen trees.

Separate vehicular and pedestrian street entries promote safety and security.

Particular Issues Associated with the Development.

Relocation: One residential housing unit occupied by two individuals will have to be relocated. The residents will be relocated into comparable, decent, safe, and sanitary units as per the relocation plan attached in this application.

The development is located on a site that is relatively flat and poses no obvious geotechnical or structural challenges. The residential portion of the construction is designated as "Type V", a one hour, fully sprinklered building while the parking structure will be designated as "Type II N", a non-combustible, fully sprinklered throughout structure. Both types are typical construction means of construction in Southern California. Construction of the development will also follow recommendations of an Acoustical Analysis completed at the site. The analysis states that the development will comply with the requirements of the County of Los Angeles by applying STC 32 glazing on all south-facing windows and glass doors.

There are no environmental issues, historic considerations, or Article 34 issues.

Neighborhood and Public Amenities:

The site is located one block south of Whittier Boulevard and one block north of Olympic Boulevard. Both Whittier Boulevard and Olympic Boulevard are major commercial east-west veins of East Los Angeles. Many crucial amenities and social services are located along both boulevards. Within walking distance residents will be able to access grocery shopping, social services, education facilities (Eastman Avenue Elementary School), a public library, parks and recreation (Salazar Community Park), and health services (East LA Doctors Hospital and East LA Community Hospital). In addition, public transportation is available on both boulevards, able to transport residents east and west towards more public facilities, shopping and employment centers.

Lot Size

Three contiguous lots, approximately 37,687 sq. ft.

Units

The project will consist of a total of twenty-five units. The unit mix is as follows: 6 four-bedroom units at 1,400 sq. ft.; 7 three-bedroom units at 1,100 sq. ft.; 4 two-bedroom units at 750 sq. ft. and 8 one-bedroom units at 600 sq. ft. We will also need to provide 1 two-bedroom unit for an on-site manager. Units must have ample sized bedrooms, at least 11'x11'. Project must comply with all local, state, and federal regulations pertaining to handicapped accessibility.

Common areas

Common areas include a child care center and community room, and a laundry room will also be incorporated into the project. The design will incorporate open space for children and adults to utilize (i.e. play area, bbq area, etc.).

Parking

At least 44 parking stalls have to be provided on-site for residents. 38 parking spaces will be located within the parking garage while 6 on grade spaces will be located off of Rowan Avenue.

Security

Security systems include integrally designed decorative steel framing and include entry gates (with automotive openers for the residents). An intercom will also be included at the pedestrian entry gate only.

Lighting

At night, lighting will be designed to provide dual purposes, both for aesthetic and security reasons. Lights will be on timers in common areas. For maintenance purposes, lighting will not be too extravagant. Lighting fixtures and bulbs should not be too expensive and/or too difficult to replace.

Irrigation and Landscaping Plan

An irrigation and landscaping plan will be submitted and approved by the County Department of building and Safety.

Driveway & Street Lighting Plan

A Driveway and Street Lighting Plan will be submitted to the County Department of Public Works for approval.

Easements & Setbacks

The layout of the site plan will comply with any easements, setbacks, and height restrictions associated with the site.

Project Amenities:

- Covered entry linking the centrally located courtyard with the street entry and parking garage.
- Childcare Center/Community/multi purpose room located at the heart of the project with convenient street access. Community room should also have access to centrally located courtyard/open space.
- Centrally located laundry room, off the courtyard, with views of play area for easy child supervision and to encourage socialization while working.
- Garden courtyards with decorative stairs and ramping promenade. All with south facing sun exposure.
- Street side entry patio.
- Shade trees.
- Garden bench seating throughout and adjacent to all units.

- Barbeques in multiple locations.

Apartment Amenities:

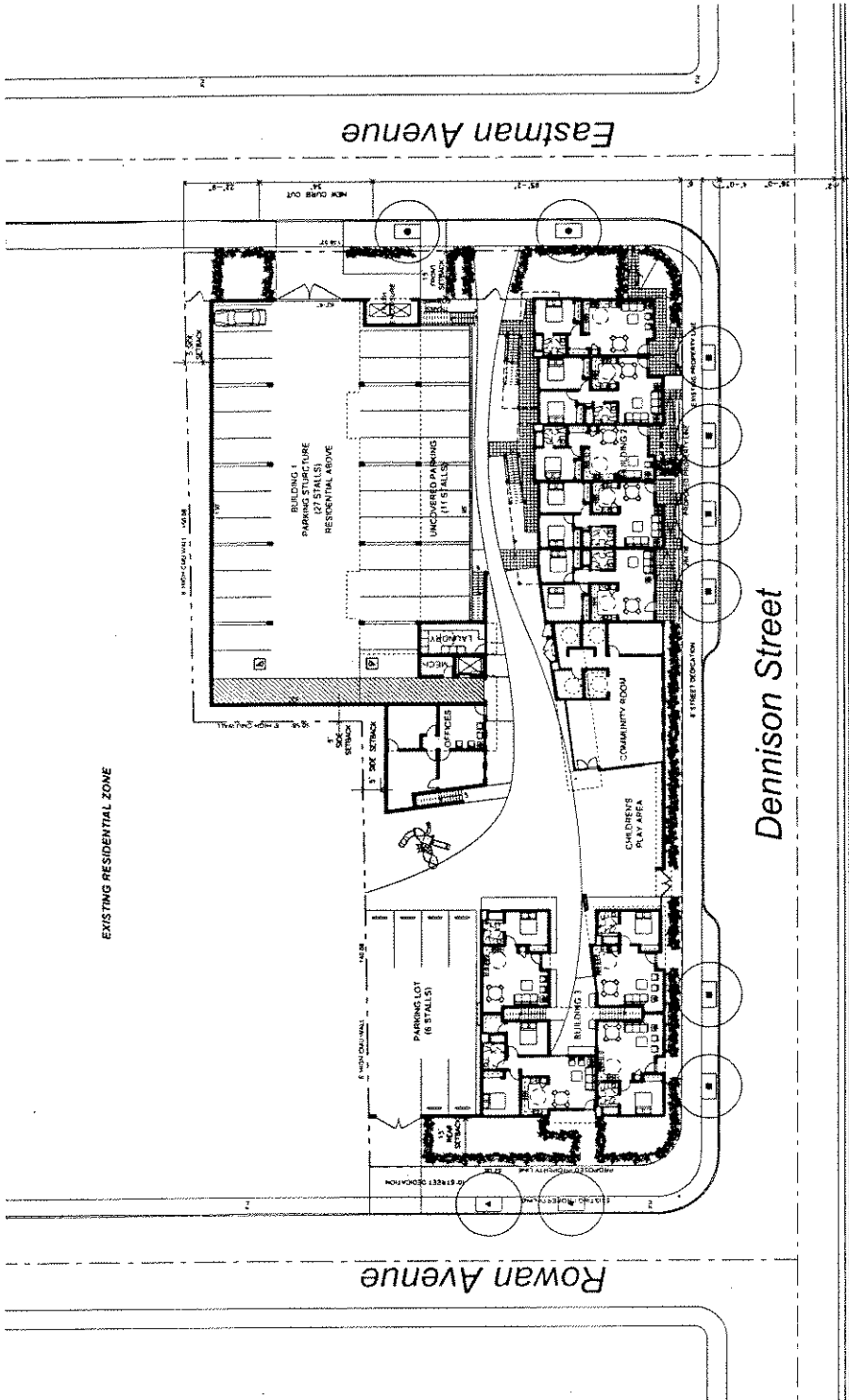
- Floor plans designed for maximum day lighting and flow through of natural ventilation.
- Green/sustainable design that incorporates: recycling materials such as carpet and interior doors; recyclable materials such as roofing and insulation; nontoxic materials for paint, kitchen cabinets, etc.
- Ducted heating which provides energy efficiency and maximum comfort using a “combined hydronic” system with a water heater in each unit.
- Gas cooking.
- Overhangs at all doors and windows at east, west and south exposures.
- Individual porches/entry ways into each unit.

EXHIBIT “H” TO LOAN AGREEMENT

SITE PLANS AND ELEVATIONS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)



EXISTING RESIDENTIAL ZONE

Project Data:

Unit Mix: (5 Town Homes & 21 Flats)

- 6 1 Bedroom Unit @ 600 S.F. Each
- 4 2 Bedroom Unit @ 800 S.F. Each
- 7 3 Bedroom Unit @ 1100 S.F. Each
- 8 4 Bedroom Unit @ 1400 S.F. Each

Total 21 Units 24,400 S.F.

Parking Structure:

- Covered 27 Stalls
- Uncovered 11 Stalls
- On grade 6 Stalls

Common Space:

- Recreational Room 945 S.F.
- Laundry 250 S.F.
- On-Site Management 750 S.F.
- Community Room 1,500 S.F.
- Total 3,445 S.F.

Total Building Area 35,645 S.F.

Open Space:

- Children's Play Area 2,500 S.F.
- Common Deck Area 2,500 S.F.
- Landscape Area 10,000 S.F.
- Total Site Improvements 15,000 S.F.



LEVEL ONE SHEET **A-1.1**

Architecture Planning
Quatro
 1017 East 10th Street
 Los Angeles, CA 90015
 Tel: 213.463.1111
 Fax: 213.463.1112
 Email: info@quatro.com
 Website: www.quatro.com

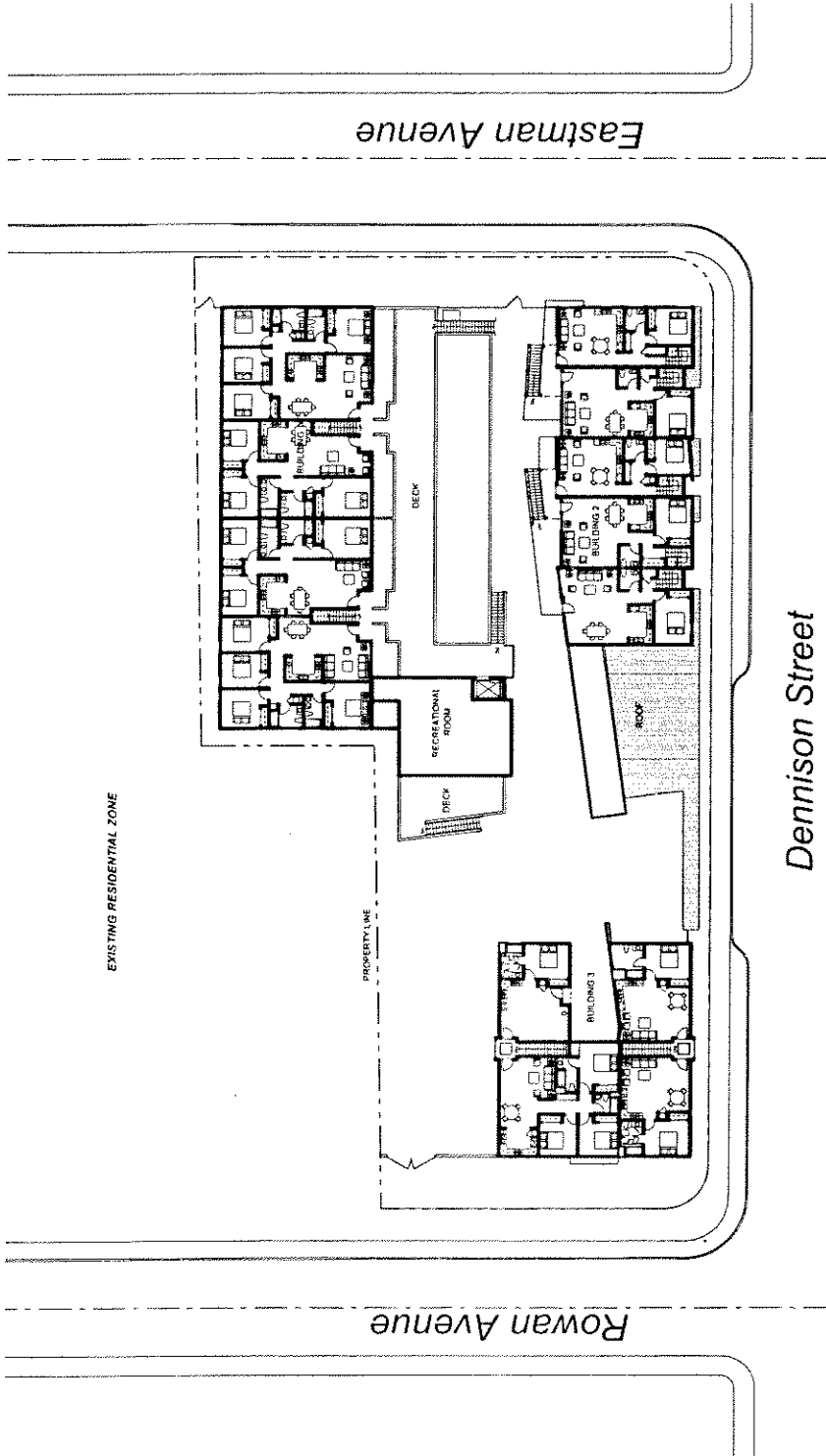
las flores
East Los Angeles, CA

Santa Ana Freeway

Dennison Street

Rowan Avenue





EXISTING RESIDENTIAL ZONE

Project Data:

Unit Mix: (5 Town Homes & 21 Pairs)

1 Bedroom Units @ 800 S.F. Each	8
2 Bedroom Units @ 900 S.F. Each	4
3 Bedroom Units @ 1,100 S.F. Each	7
4 Bedroom Units @ 1,400 S.F. Each	6
Total	25 Units
Total	24,400 S.F.

Parking Structure:

Covered	27 Spaces
Uncovered	11 Spaces
On grade	5 Spaces
Total	43 Spaces

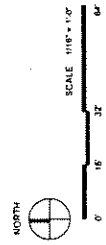
Common Space:

Recreational Room	945 S.F.
Play Area	2,500 S.F.
On-Site Management	750 S.F.
Community Room	1,000 S.F.
Total	5,195 S.F.

Open Space:

Children's Play Area	2,500 S.F.
Common Deck Area	2,500 S.F.
Landscape Area	10,000 S.F.
Total Site Improvements	15,000 S.F.

Total Building Area 31,845 S.F.



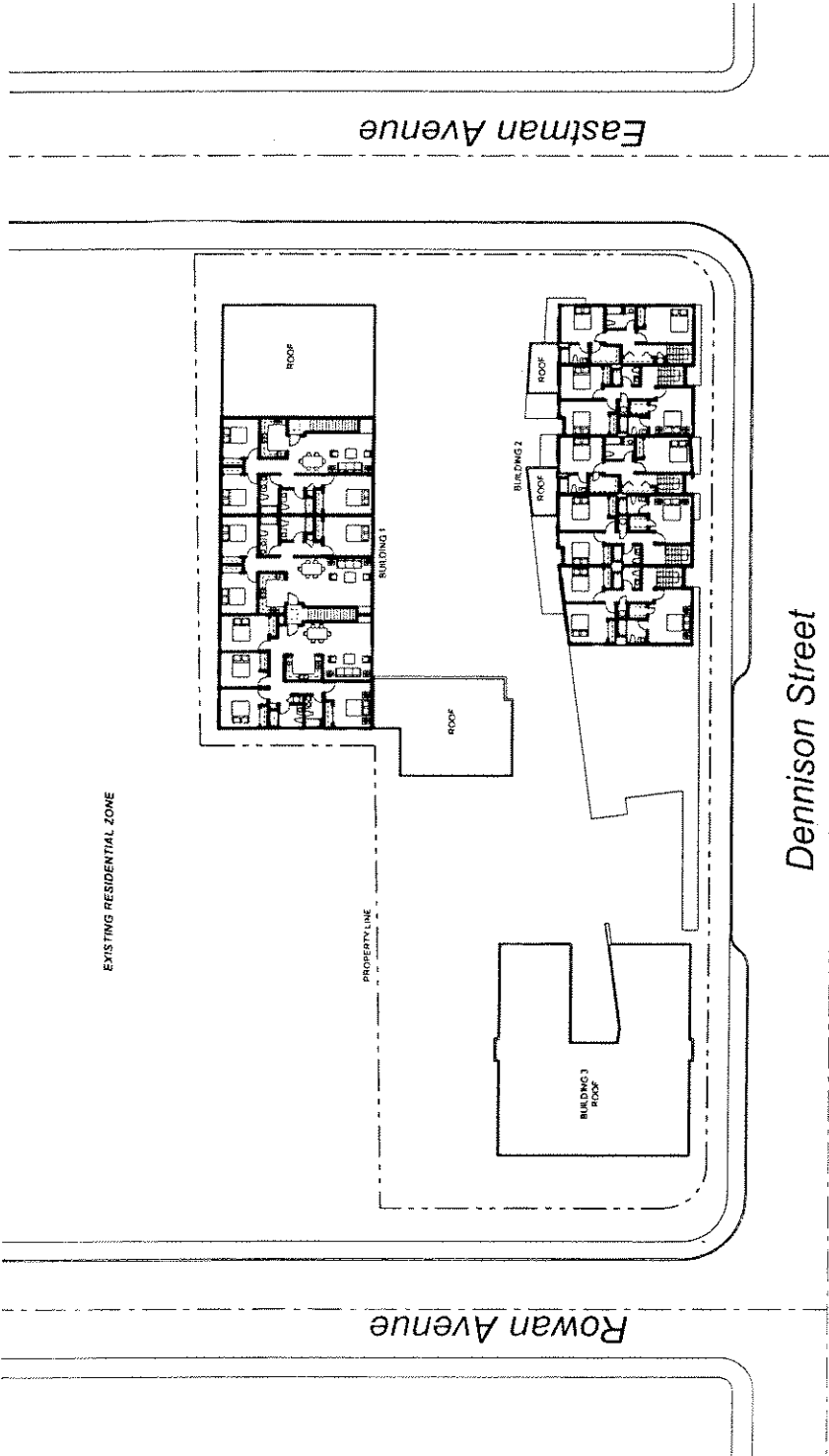
LEVEL TWO SHEET **A-1.2**



las flores
East Los Angeles, CA

Architecture
Planning





EXISTING RESIDENTIAL ZONE

Rowan Avenue

Dennison Street

Santa Ana Freeway

Project Data:

Unit Mix: (5 Town Homes & 21 Flats)

- 1 Bedroom Unit @ 800 S.F. Each
- 2 Bedroom Unit @ 800 S.F. Each
- 3 Bedroom Unit @ 1100 S.F. Each
- 4 Bedroom Unit @ 1400 S.F. Each

Total: 26 Units
24,400 S.F.

Parking Structure:

Covered: 27 Stalls
1,100 S.F.

Uncovered: 0 Stalls
0 S.F.

Common Space:

Recreational Room: 945 S.F.

Laundry: 250 S.F.

Community Room: 1,500 S.F.

Total: 3,445 S.F.

Total Building Area: 35,545 S.F.

Open Space:

Children's Play Area: 2,500 S.F.

Common Deck Area: 2,500 S.F.

Landscaped Area: 10,000 S.F.

Total Site Improvements: 15,000 S.F.



SCALE: 1/16" = 1'-0"

0 15 30 60

LEVEL THREE SHEET **A-1.3**

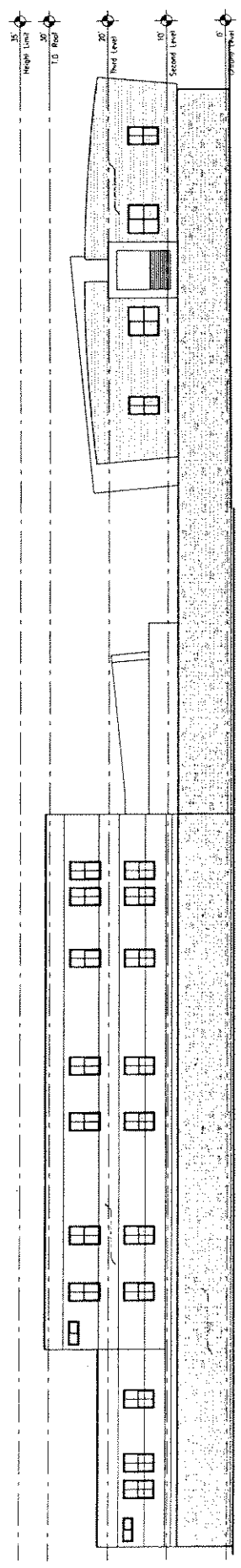


las flores

East Los Angeles, CA

Architecture
Planning

Quatro
ARCHITECTS
1111 West 12th Street
Los Angeles, CA 90007
(213) 462-1000
www.quatroarchitects.com



North Elevation

30' 10" 35' 30' 20' 10' 0'

ELEVATION SHEET A-113



las flores
East Los Angeles, CA

Quatro
Architecture
Planning
10101 Wilshire Blvd., Suite 100
Beverly Hills, CA 90210
(310) 274-0000
www.quatro.com

West Elevation

East Elevation

South Elevation

[If Applicable]

EXHIBIT "I" TO LOAN AGREEMENT

SUPPORTIVE SERVICES AGREEMENT

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

(Please See Attached)

A Community of Friends

Founded in 1988, ACOF's mission is to develop permanent, service-enriched, affordable housing. Supportive services are provided by either collaborating with community-based social service agencies, or through direct delivery of services by ACOF's residential services staff. ACOF's permanent, affordable housing provides an environment for residents to stabilize their lives, without the added concern of impending eviction or relocation as a result of economic circumstances.

Experience directly related to carrying out the proposed project: ACOF has **completed 909 units** in twenty three properties and has more than 400 units in development. ACOF operates a model of service-enriched housing for special-needs populations. The model is successful due to the collaborative relationship between ACOF and community based organizations that provide resident referrals and various types of supportive services. Many of the residents in buildings where ACOF is the service provider are formerly homeless and are typically dually-diagnosed with mental illness and have a history of substance abuse.

Experience working with homeless people: **ACOF has been providing service-enriched, affordable housing for homeless persons with chronic mental illness for over fifteen years.** More than 700 formerly homeless people live in ACOF operating buildings, many of which have HUD McKinney funding. ACOF staff performs outreach to emergency and transitional housing programs for homeless persons. ACOF's **Director of Residential Services (DRS)**, who has a Masters Degree in Social work, is responsible for developing and implementing service programs at all ACOF sites. The DRS is knowledgeable about the needs of this population and the Los Angeles network of social service agencies. ACOF has five (5) **Senior Residential Services Coordinators (SRSC)** with 30 years of combined experience working directly with homeless populations.

Services

ACOF will create an integrated program of supportive services, which address needs of residents.

- ✓ *Basic Needs Evaluation:* Residents will be involved in all aspects of developing a case management service plan, based on the interests and needs of each person. These services will be utilized, as needed and appropriate, by the program participants in conjunction with their case manager. The plan will include specific goals and time lines for achieving them, as well as specifics of how the supportive services offered will meet the individual needs of residents as identified in case management services plan. The plan will be reviewed and updated every six months, or more often if necessary, by the resident and case manager. Monthly summaries of the residents' activity and progress will be maintained.
- ✓ *Mental Health Services:* The Case Manager will have daily contact with residents. This daily contact allows for early intervention in issues which if unresolved

could lead to alienation, health crisis or evictions. Individual meetings will be scheduled during daytime hours. Group sessions will be available during daytime and/or evenings. Examples of subjects covered include: increasing self-esteem, anger management, inter-personal relations, conflict resolution, anxiety control, trust building, self-understanding, symptom management and relapse prevention. Crisis counseling and intervention will be available around the clock.

- ✓ *Family Focus:* The Case Manager will provide parent-child counseling, for families and groups. This would include consultation on the unique issues of children with mentally disabled parents. He or she will also monitor and provide guidance in areas of child health and development: providing referrals to child services like prenatal care.
- ✓ *Independent Living Training (ILT):* All residents will be supported in developing the skills necessary to live independently. The training will emphasize “hands on learning” as opposed to the classroom lecture model. Subjects include: shopping, meal planning, food and nutritional counseling, cooking, housekeeping, budget counseling, money management, public transport, use of community resources, laundry, personal relations, tenant responsibility, personal safety, accessing emergency services (i.e. fire, police), education in social issues: domestic violence; legal rights in searching for apartments, tenant responsibilities, health maintenance (i.e. eye, dental and physical health) and medication management.
- ✓ *Employment/Education:* Residents will be encouraged to seek employment, enroll in school or vocational training, or be involved in structured programs. Vocational training is available through the Department of Rehabilitation, JTPA, and other community resources, like East Los Angeles Skills Center. Adult residents without a high school diploma or GED will be encouraged to complete continuing education, ESL classes or complete GED preparation coursework through East Los Angeles College, the East Los Angeles Skills Center or other local adult education centers. Those desiring a secondary education will be assisted in applying for educational grants available through local community colleges and state universities. The case management staff will provide support and guidance as needed. Children living at Las Flores will be encouraged to participate in educational programs offered at the local library, El Camino Real Library, such as Homework Help and Children’s Storytime.
 - ✓ *Socialization/Recreation:* Residents will be involved in planning and preparation of all group recreational/social activities which will be reflective of the residents’ interests, needs, and available community resources. All religious and cultural holidays significant to the participants various backgrounds will be celebrated, as will each resident’s birthday. Residents will be encouraged to participate in community activities such those provided by Parks and Recreation or local churches.

- ✓ *Legal Services:* In the event residents require legal services, they will have access to Mental Health Advocates (MHA), a private non-profit that works exclusively with persons with mental illness on a variety of legal concerns, including accessing entitlement benefits through counseling and advocacy.

- ✓ *Physical Healthcare:* Physical healthcare for emergency situations will be referred to the Los Angeles Community Hospital, located less than one mile south of the project site. LA County Hospitals will provide other physical treatment to residents. In addition, ACOF case management staff will identify several local physicians, dentists, and optometrists in the area who accept Medi-Cal and will refer residents to these professionals.

SPECIAL NEEDS POPULATIONS (Continued)

Please list all special need populations the project will serve and indicate the supportive services that will be provided.

Special Need Population Served by the Project:	Type of Support Services to be Provided:	No Support Services will be Provided:
Persons Below 45% of Median Income		<input checked="" type="checkbox"/>
Large Families		<input checked="" type="checkbox"/>
Single-Parent Families		<input checked="" type="checkbox"/>
Senior Citizens (55 years or older)		<input checked="" type="checkbox"/>
Chronically Mentally Ill Persons		<input checked="" type="checkbox"/>
Physically Disabled Persons		<input checked="" type="checkbox"/>
Persons Living With HIV/AIDS		<input checked="" type="checkbox"/>
Homeless or "At-Risk" Homeless Persons	Case management, Counseling, Life Skills, work preparation, supplies (clothes, blankets), legal services & food.	<input type="checkbox"/>
Victims of Domestic Violence		<input checked="" type="checkbox"/>
Persons Disabled Through Substance Abuse		<input checked="" type="checkbox"/>
Runaway Teens		<input checked="" type="checkbox"/>
Emancipated Youth		<input checked="" type="checkbox"/>
"At-Risk" HUD Prepay Projects(non-profit residents' associations only)		<input checked="" type="checkbox"/>

SUPPORT SERVICES

Please indicate how supportive services will be made available to the target population(s).

Support Services Provided by: (Check Appropriate Box)

Special Need Population Served by the Project	On-Site Amenity	Link to Public Service	Contracted Service
Homeless or "At-Risk" Homeless Persons	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Provide the following information regarding the services discussed in the program narrative:

Service Provided	Agency	Contact Person (Title)	Phone #
Case Management	ACOF	Karen Taylor	213-480-1788
Counseling	LA Family Housing	John Horn	818-982-4091
Supplies	Shelter Partnerships	Ruth Schwartz	213-688-2188
Legal	Mental Health Advo.	James Preis	213-484-1628
Food	LA Food Bank	Micheal Flood	323-234-3030

*For group homes, provide a letter of support for the project from the local public official responsible for services to the designated tenant population, stating that the project will be an intrinsic part of the locality's established social service delivery system.

A Community of Friends (ACOF) believes long-standing, collaborative relationships with outside service providers are critical to maintaining effective housing developments. ACOF has received letters of interest to collaborate on Las Flores from the following agencies:

Organization	Amount	Type of Service
Mental Health Advocacy Services, Inc.	\$2,000 annually	Legal Services exclusively with persons with mental illness
L.A. Family Housing	\$7,500 annually	Life kills workshops and counseling, job preparedness and career information and referral
Shelter Partnership, Inc.	\$10,000 annually	Clothing, Blankets, Cleaning Supplies, Personal Care Items
L.A. Regional Food Bank	\$700 annually	Food



3345 WILSHIRE BOULEVARD, SUITE 1000

LOS ANGELES, CALIFORNIA 90010

TEL (213) 480-0809 FAX (213) 480-1788

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Dora Leong Gallo

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Marvin Weinstein
Organizational Development
and Mediation Consultant

October 21, 2003

William J. Pavão, Deputy Director
State of California
Housing and Community Development
Division of Community Affairs
Multi Family Housing Program
Sacramento, CA

Re: Las Flores
MHP Supportive Housing Application
1074S. Rowan and 1063, 1073 S. Eastman, Los Angeles

Dear Mr. Pavão:

If the above referenced proposal is funded, A Community of Friends (ACOF) commits to make available comprehensive case management services valued at \$ 43,750 to families with a disabled head of household at Las Flores.

Since 1988, ACOF has been providing service-enriched, affordable housing for homeless persons with chronic mental illness. More than 700 formerly homeless people live in ACOF operating buildings, many of which have HUD McKinney funding.

If you have any questions please do not hesitate to contact me at (213) 480-0809.

Sincerely,

Dora Leong Gallo
Chief Executive Officer

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District

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Falk & Sharp

Arthur Zweimüller
General Manager
Jennium Biltmore Hotel

EXECUTIVE DIRECTOR

AND FOUNDER

Ruth Schwartz

*Past Chairperson



Shelter Partnership

523 West Sixth Street, Suite 616 Los Angeles, California 90014 Fax (213) 689-3188 (213) 688-2188

October 15, 2003

Dora Leong Gallo
A Community of Friends
3345 Wilshire Boulevard, Suite #1000
Los Angeles, CA 90010

Re: Letter of Commitment
MHP Supportive Housing Application, Round B-2
Las Flores Apartments
1074 S. Rowan and 1063, 1073 S. Eastman, Los Angeles

Dear Dora:

If this proposal is funded, Shelter Partnership, Inc. commits to make available supplies and materials such as clothing, blankets, detergent and cleaning products, personal care and hygiene items, and other goods necessary for the operation of the Las Flores Apartments. These goods are valued at \$10,000 per year, and will be available when the project becomes operational and for the duration of the contract period.

If you have any questions about this commitment, please do not hesitate to contact me at (213) 688-2188.

Best,

Ruth Schwartz
Executive Director

MENTAL HEALTH ADVOCACY SERVICES, INC.

A NON PROFIT ORGANIZATION PROVIDING LEGAL SERVICES TO PEOPLE WITH MENTAL AND DEVELOPMENTAL DISABILITIES

1336 WILSHIRE BOULEVARD, SUITE 102
LOS ANGELES, CA 90017

PHONE (213) 484-1628
FAX (213) 484-2907

JAMES PREIS
Executive Director

STAFF

NANCY M. SHEA
Senior Attorney

LOIS A. WEINBERG, Ph.D.
Education Specialist

SHERILL MARTIN
Benefits Specialist

PAMELA MARX
Staff Attorney

SONIA I. BARRANTES
Staff Advocate

KIM SAVAGE
Senior Attorney

MARY V. WEBSTER
Staff Advocate

MAGGIE BRANDOW
Staff Attorney

KIM McREYNOLDS BELL
Staff Attorney

REBECCA DURAN
Staff Advocate

FERNANDO RAMIREZ
Staff Advocate

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Director of Administration
and Development

DAPHNE APOSTLE
Office Manager

ENRIQUE BAEZ
Administrative Assistant

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October 15, 2003

Dora Leong Gallo
Chief Executive Officer
A Community of Friends
3345 Wilshire Blvd., #1000
Los Angeles, CA 90010

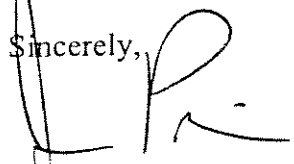
VIA FAX AND MAIL

Re: Las Flores - 1074 S. Rowan and 1063, 1073 S. Eastman, Los Angeles

Dear Dora:

Mental Health Advocacy Services Inc (MHAS) supports the development of Las Flores Apartments. If this proposal is funded, MHAS commits to make available legal services valued at \$2,000 per year for a period of 5 years to supportive housing special needs clients of A Community of Friends.

Sincerely,



James Preis
Executive Director

JP:da

LOS ANGELES REGIONAL



Fighting Hunger. Giving Hope.

October 21, 2003

Dora Leong Gallo
Chief Executive Officer
A Community of Friends
3345 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010

RE: Las Flores
1074 S. Rowan and
1063 & 1073 S. Eastman

Dear Dora:

A core element of Los Angeles Regional Foodbank's mission is to fight causes of hunger. A major cause of hunger is homelessness. Las Flores Apartments will provide a stable service enriched housing to homeless mentally ill families in East Los Angeles. Therefore Los Angeles Regional Foodbank supports the development of Las Flores Apartments.

If this proposal is funded, the Foodbank commits to make available food valued at \$700.00 per year for a period of five years to the Supportive Housing Special Needs Units of A Community of Friends.

Sincerely,

A handwritten signature in black ink that reads "Michael Flood". The signature is fluid and cursive, with the first name "Michael" and last name "Flood" clearly distinguishable.

Michael Flood
Executive Director



7843 Crenshaw Blvd.
North Hollywood, CA 91605
Phone (818) 982-4061
Fax (818) 982-4065
www.lafamilyhousing.org

**TRUBY AND NORMAN LOUIS
VALLEY SHELTER
NORTH HOLLYWOOD
ACCESS CENTER**

7843 Crenshaw Blvd.
North Hollywood, CA 91605
Phone (818) 982-4061
Fax (818) 982-4065

**SYDNEY M. JAMES
TRANSITIONAL
LIVING CENTER**

7843 Crenshaw Blvd.
North Hollywood, CA 91605
Phone (818) 982-4061
Fax (818) 982-4065

CHENNOW HOUSE

7843 Crenshaw Blvd.
North Hollywood, CA 91605
Phone (818) 982-4061
Fax (818) 982-4065

**EAST L.A.
ACCESS CENTER**

2430 W. 1st Street
Los Angeles, CA 90057
Phone (323) 268-7524
Fax (323) 268-7714

**EAST L.A. FAMILY
SELF-SUFFICIENCY**

4008 Cesar Chavez
Los Angeles, CA 90022
Phone (323) 261-1845
Fax (323) 261-1845

**ANTELOPE VALLEY FAMILY
SELF-SUFFICIENCY**

5020 W. Avenue L 12
Jolt, IN
Quincy, IL 62450
Phone (618) 292-2303
Fax (618) 292-2343

**OFFRAY/STEINHAUER
VILLAGE**

2430 W. 1st Street
Los Angeles, CA 90057
Phone (323) 268-7524
Fax (323) 268-7714

November 1, 2002

Ronald A. Stewart
A Community of Friends
3345 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010

Re: Las Flores Apartments

Dear Ron:

L.A. Family Housing Corp. supports the development of the Las Flores Apartments. The proposed project will provide much needed affordable housing in the East Los Angeles area of the County of Los Angeles.

Incorporated in 1983 with a mission to develop and deliver an integrated system of housing and social services for homeless and very low-income families and individuals, LAFHC has provided a continuum of housing and supportive services to homeless families and individuals for the last 19 years.

If A Community of Friends' proposal for the Las Flores Apartments is funded, we commit to make available the following services to residents of the program: Life Skills workshops and counseling; job preparedness and career counseling; job placement assistance; and community resource information and referrals. The cost of these services is valued at \$7,500 per year for a total of 37,500 for five years. These resources will be available for a five-year period beginning when the project is placed in service.

Our agency staff members are constantly searching for affordable housing for homeless families with a disabled family member. Las Flores Apartments offers a valuable and essential resource for Shelter Plus Care eligible families.

Sincerely,

John Horn

Director of Programs and Social Services

*Updated Letter Available upon request.

COMPREHENSIVE SOCIAL SERVICES
EMERGENCY OUTREACH AND SHELTER
TRANSITIONAL LIVING
PERMANENT AFFORDABLE HOUSING
AND HOMEOWNERSHIP

EXHIBIT “J” TO LOAN AGREEMENT

COMMISSION PROVISIONS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

EXHIBIT “K” TO LOAN AGREEMENT

HOME PROGRAM REQUIREMENTS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

EXHIBIT “L” TO LOAN AGREEMENT

CONSTRUCTION REQUIREMENTS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

EXHIBIT “M” TO LOAN AGREEMENT

DEVELOPMENT PROFORMA

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

DEVELOPMENT PRO FORMA

Las Flores

The project consists of 25 units to be located at 1074 Rowan Avenue and 1063 and 1073 Eastman Avenue in unincorporated East Los Angeles. The 25 units will be developed using a Commission HOME and CDBG loan. All units will be reserved for low- and very low-income persons and families, defined as those whose incomes do not exceed 50 percent of the Area Median Income for the Los Angeles/Long Beach Metropolitan Statistical Area (MSA), as determined by the U.S. Department of Housing and Urban Development (HUD). The following is a financial analysis of the project.

	TOTAL	PER UNIT
Construction Phase		
Uses		
Total Development Cost	\$7,473,196.00	\$298,928
Sources		
Construction Loan	\$4,138,000	\$165,520
Tax Credit Equity - 4%	\$224,100	\$8,964
City of Industry Fund	\$1,267,430	\$50,697
Commission HOME Loan	\$1,061,663	\$42,467
Commission CDBG Loan	\$50,000	\$2,000
Deferred Interest	\$89,300	\$3,572
General Partner Capital Contrib.	\$261,300	\$10,452
Deferred Costs	\$381,403	\$15,256
Total	\$7,473,196.00	\$298,928.00
Permanent Phase		
Uses		
Total Development Cost	\$7,155,957.00	\$298,928
Sources		
CalHFA	\$571,200	\$22,848
City of Industry Fund	\$1,267,430	\$50,697
Tax Credit Equity - 4%	\$2,241,300	\$89,652
Multifamily Housing Program	\$1,447,000	\$57,880
Deferred Interest	\$89,300	\$3,572
General Partner Capital Contrib.	\$261,300	\$10,452
Deferred Developer Fee	\$66,000	\$2,640
Commission CDBG Loan	\$50,000	\$2,000
Commission HOME Loan	\$1,479,666	\$59,187
Total	\$7,473,196.00	\$298,928.00

EXHIBIT “N” TO LOAN AGREEMENT
SPECIAL ENVIRONMENTAL CONDITIONS

(HOME - PROJECT NO. HE0077)
(CDBG - PROJECT NOS. 600611-03; 600612-03)

ATTACHMENT B

ENVIRONMENTAL SPECIAL CONDITIONS

Title: Las Flores Housing/Childcare Development
Project No. HMD001- Las Flores

The following special conditions/environmental mitigation measures must be included in the project contract and later implemented as part of the project scope to alleviate adverse environmental impacts. The environmental clearance is conditioned upon the implementation of all special conditions/mitigation measures:

1. Noise. In order to achieve an acceptable interior noise level of 45 dBA Ldn or lower, the following or their functional equivalent shall be incorporated into project design:

- a) Air conditioning or mechanical ventilation systems that allow windows to remain closed
- b) Double paned glass in windows and sliding glass doors
- c) Mounting of windows in low air infiltration rate frames (0.5 cfm or less, per American National Standard Institute [ANSI] specifications)
- d) Solid core exterior doors with perimeter weather stripping and threshold seals
- e) Exterior walls consisting of stucco, brick veneer, or wood siding with a 1/2" minimum thickness fiberboard underlayer
- f) Baffling of roof or attic vents facing the noise source

In addition, usable outdoor areas (yards, balconies, play areas) shall be oriented away from the Santa Ana Freeway.

2. Historic, Cultural, and Archaeological Resources. Archaeological resources are not known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that further disturbance shall not occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.

3. Solid Waste Recycling. Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.

4. Water Supply. Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:

- a) Landscaped areas shall be planted with drought-tolerant species, minimizing to 50% areas dedicated to turf. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
- b) All structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.

5. Additional Modifications. Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

EXHIBIT “O” TO LOAN AGREEMENT

DAVIS BACON WAGE DETERMINATION

(HOME – PROJECT NO. HE0077)
(CDBG – PROJECT NOS. 600611-03; 600612-03)

(TO BE DETERMINED AT LOAN EXECUTION)

**County of Los Angeles
Community Development Commission**

**DRAFT MITIGATED NEGATIVE DECLARATION
CALIFORNIA ENVIRONMENTAL QUALITY ACT**

PROJECT TITLE: Las Flores Housing/Childcare Project

PROJECT DESCRIPTION: The proposed project involves the acquisition of a 37,687 square foot site for the development of 31 multi-family residences and a childcare facility for about 50 children. The 31 units would be in up to six buildings and would include a mix of one-bedroom, two-bedroom, and three-bedroom apartments totaling about 35,000 square feet. One of the buildings would also house the 1,000 square-foot childcare facility.

The project would require demolition of an existing church at the southwest corner of Rowan Avenue and Dennison Street and a single family residence, shed, and two-car garage on Eastern Avenue. Off-site improvements may include driveways, curbs, gutters, signage, speed bumps, landscaping, street lighting, storm drains, and utility installation.

PROJECT LOCATION: The project site is located at 1074 South Rowan Avenue and 1063 and 1073 Eastman Avenue in the unincorporated community of East Los Angeles, California. The site includes Assessors Parcels 5239-006-015, 5239-006-017, and 5239-006-033.

MITIGATION MEASURES INCLUDED IN THE PROJECT TO AVOID POTENTIALLY SIGNIFICANT IMPACTS:

The following mitigation measures are required:

1. **Noise.** In order to achieve an acceptable interior noise level of 45 dBA Ldn or lower, the following or their functional equivalent shall be incorporated into project design:
 - *Air conditioning or mechanical ventilation systems that allow windows to remain closed*
 - *Double paned glass in windows and sliding glass doors*
 - *Mounting of windows in low air infiltration rate frames (0.5 cfm or less, per American National Standard Institute [ANSI] specifications)*
 - *Solid core exterior doors with perimeter weather stripping and threshold seals*
 - *Exterior walls consisting of stucco, brick veneer, or wood siding with a 1/2" minimum thickness fiberboard underlayer*
 - *Baffling of roof or attic vents facing the noise source*

In addition, usable outdoor areas (yards, balconies, play areas) shall be oriented away from the Santa Ana Freeway.

2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - Landscaped areas shall be planted with drought-tolerant species, minimizing to 50% areas dedicated to turf. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

FINDING OF NO SIGNIFICANT EFFECT. Based on the attached NEPA Environmental Assessment, it has been determined that the project will not have a significant effect on the environment, provided that all suggested mitigation measures are incorporated.

HUD – NEPA - Environmental Assessment

Project Name and Identification Number: Las Flores Housing/Childcare Project/HMD001

HUD – NEPA- ENVIRONMENTAL ASSESSMENT

Project Name: Las Flores Housing/Childcare Project/HMD001

Project Location: The project site is located at 1074 South Rowan Avenue and 1063 and 1073 Eastman Avenue in the unincorporated community of East Los Angeles, California. The site includes Assessors Parcels 5239-006-015, 5239-006-017, and 5239-006-033.

Statement of Need: The proposed project is consistent with the guidelines of the CDBG program. It would provide for the development of up to 31 affordable housing units and a childcare facility.

Project Description: The proposed project involves the acquisition of a 37,687 square foot site for the development of up to 31 multiple family residences and a childcare facility for about 50 children. The 31 units would be in up to 6 buildings and would include a mix of one-bedroom, two-bedroom, and three-bedroom apartments totaling about 35,000 square feet. One of the buildings would also house the 1,000-square foot childcare facility.

The project would require demolition of an existing church at the southwest corner of Rowan Avenue and Dennison Street and a single family residence, shed, and two-car garage on Eastern Avenue. Off-site improvements may include driveways, curbs, gutters, signage, speed bumps, landscaping, street lighting, storm drains, and utility installation.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Land Development							
Conformance With Comprehensive Plans and Zoning	X						The project site is designated <i>Medium Density Residential - 30 Units/Acre</i> by the East Los Angeles Community Plan and is zoned R-3 (<i>Limited Multiple Residence Zone</i>). The proposed project would be allowed within these designations (a).
Compatibility and Urban Impact					X		The project site is in an area characterized primarily by a mix of single and multiple family residential uses. The Santa Ana Freeway (Interstate 5) is located to the south across Dennison Street from the project site. The proposed project would be compatible with the mix of uses in the area. As discussed below under "Noise," the project would be exposed to relatively high traffic noise levels. Mitigation would be required to achieve an acceptable interior noise environment.
Slope	X						The project site is flat (b). No major topographic modifications would be required.
Erosion	X						The project site is flat. There is no evidence of any substantial erosion problems on-site (b).
Soil Suitability	X						There is no evidence of soil suitability problems on the project site (a,b). Routine soil tests would need to be conducted to determine foundation design parameters for new structures.
Hazards and Nuisances, Including Site Safety	X						The project site does not display any evidence of conditions that may be hazardous or that would affect site safety (b).
Energy Consumption	X						Project operation would incrementally increase the consumption of energy. However, these resources are available both locally and regionally; therefore, no significant impact to the availability of energy resources is expected. The project would comply with energy conservation requirements of Title 24 of the California Administrative Code.
Noise							
Effects of Ambient Noise on Project and Contribution to Community Noise Levels					X		Project construction would generate short-term noise level increases. Local noise ordinances would apply. The proposed project would not generate substantial noise in the long term. The project would be exposed to noise exceeding HUD's 65 dBA Ldn residential standard due to traffic on the nearby Santa Ana Freeway (Interstate 5). Onsite noise levels are estimated at between 70 and 75 dBA Ldn. Therefore, mitigation would be required to achieve an acceptable interior noise level.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Air Quality							
Effects of Ambient Air Quality on Project and Contribution to Community Air Pollutant Levels	X						The project site is located in the South Coast Air Basin, which is a nonattainment area for ozone, carbon monoxide, nitrogen dioxide, and fine particulate matter (PM ₁₀). Project occupants would therefore be exposed to potentially unhealthful ambient air because this regional condition can not be feasibly mitigated. Emissions associated with operation of the proposed project would not be expected to exceed locally adopted significance thresholds (c). As the project is an urban infill redevelopment project, it would not significantly increase regional emissions of air pollutants. The infill development would likely reduce overall vehicle miles traveled regionally and associated air pollutant emissions.
Environmental Design and Historic Values							
Visual Quality - Coherence, Diversity, Compatible Use, and Scale					X		The project involves the construction of multi-family housing and a childcare facility in an area characterized primarily by single- and multi-family residential development. It would not pose any compatibility conflicts in terms of use or scale. The project site is exposed to noise levels exceeding HUD residential standards (see above discussion under 'Noise'); therefore, mitigation is required to achieve an acceptable interior noise environment.
Historic, Cultural, and Archaeological Resources					X		Historic and archaeological evaluations have been completed and are attached as appendices to this environmental assessment. The project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.
Socioeconomic Conditions							
Demographic/Character Changes	X						The proposed project would increase the stock of housing in the area by up to 31 units. Assuming four persons per household, this would add a population of about 124. This number of units/persons would not significantly alter the demographic character of the area.
Displacement	X						The proposed project would involve the demolition of an existing church and house. However, both structures are currently vacant.
Employment and Income Patterns		X					The project would generate short-term employment opportunities during construction and long-term opportunities in the childcare profession. No adverse effects would occur.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Community Facilities and Services							
Educational Facilities	X						The project would generate a limited number of new students who would attend Eastman Elementary, Stevenson Middle School, and Garfield High School of the Los Angeles Unified School District (f). The project would be required to pay applicable school impact fees to offset school facility costs associated with increased school enrollment.
Commercial Facilities		X					The proposed project would not affect any existing commercial facilities. The new residents associated with the project may incrementally increase the customer base for local businesses.
Health Care	X						Health care is provided at several facilities in the area, including Santa Marta Hospital on N. Humphreys Avenue, Beverly Hospital on Beverly Boulevard, Monterey Park Hospital on Atlantic Boulevard, White Memorial Hospital on Cesar Chavez Avenue, and East Los Angeles Doctors' Hospital on Whittier Boulevard (g). No adverse impacts to health care services are anticipated.
Social Services		X					The project would provide affordable housing and childcare services for the residents of East Los Angeles, which would be beneficial.
Solid Waste					X		Construction activity would generate solid waste in the short-term. All construction activity would be required to implement local policies concerning recycling/reuse of construction wastes. Solid waste generated by the project would not significantly affect the lifespans of area landfills. Nevertheless, because of ongoing concerns about regional landfill capacity, project design should accommodate solid waste recycling activities.
Waste Water	X						The project site is located in an urbanized area with infrastructure already in place. The project would incrementally increase wastewater generation as compared to the current use but would not be expected to require significant upgrades to wastewater conveyance or treatment facilities. Any necessary minor system upgrades would be constructed in conjunction with the project.
Storm Water	X						Development of the site would incrementally increase the amount of impervious surface area onsite. However, storm drainage facilities are in place and have been sized to accommodate urban development.
Water Supply					X		The project would incrementally increase water consumption as compared to the current use but is not expected to significantly affect water supply. Nevertheless, because of ongoing concerns about water supply in the Southern California region, water conservation measures shall be incorporated into the design of the project.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Public Safety Police		X					Police protection services in the vicinity are provided by the Los Angeles County Sheriff's Department, East Los Angeles Station, located at 5019 E. Third Street (g). The project is not expected to adversely affect police services.
Fire	X						Fire protection services are provided by the Los Angeles County Fire Department, Station 3, located at 930 South Eastern Avenue, which would provide fire protection, paramedic and emergency medical technician services to the project site (g). Assuming compliance with Fire Department requirements, no adverse impacts to fire protection services are anticipated.
Emergency Medical	X						The Los Angeles County Fire Department, Station 3 would provide emergency medical services. Emergency victims would be taken to Santa Marta Hospital on N. Humphreys Avenue, Beverly Hospital on Beverly Boulevard, Monterey Park Hospital on Atlantic Boulevard, White Memorial Hospital on Cesar Chavez Avenue, or East Los Angeles Doctors' Hospital on Whittier Boulevard, depending on availability. Trauma victims would be taken to County USC Medical Center on Marengo Avenue (g). No adverse impacts to emergency medical services are anticipated.
Open Space And Recreation Open Space	X						The project would not adversely affect existing or planned open space (b, d).
Recreation		X					Salazar County Park is located within 1/4-mile of the project site (d). The project would incrementally increase demand for recreational facilities, but would not adversely affect existing or planned parks.
Cultural Facilities	X						The proposed project would not adversely affect any cultural facilities (b).
Transportation	X						The project site can be accessed via the Santa Ana Freeway (Interstate 5), which has an offramp at Ditman Avenue (d). The proposed project would generate an estimated 431 daily vehicle trips (e). This is less than the 500-trip threshold at which the County of Los Angeles typically requires a traffic study. In addition, by providing child care services onsite, the project would be expected to minimize the need for site and area residents to travel for child care. This would be expected to reduce vehicle miles traveled and impacts to the regional transportation system. Therefore, significant impacts to the local circulation system are not anticipated.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Impact Categories	No Impact Anticipated	Potentially Beneficial	Potentially Adverse Requires Documentation Only	Potentially Adverse Requires More Study	Needs Mitigation	Requires Project Modification	Source or Documentation (See Attached References)
Natural Features							
Water Resources	X						No water resources are located in the site vicinity (c).
Surface Water		X					No surface water bodies are located in the site vicinity (d).
Watercourses	X						The nearest watercourse is the channelized Los Angeles River, over one mile to the south (d). No impact to watercourses is anticipated.
Unique Natural Features and Agricultural Lands	X						The project site is in a highly urbanized area lacks unique natural features. No active agricultural lands or agriculturally zoned lands are present (b, d).
Vegetation and Wildlife	X						The project site is in a highly urbanized area. Vegetation on the site consists of introduced and ornamental vegetation. No important biotic communities remain. No wildlife was observed on-site (b).
Long-Term Effects							
Growth-Inducing Impacts	X						The proposed project would provide infill development in an urbanized area. It includes a housing component that could house up to about 124 people; however, the majority of project residents would likely already reside elsewhere in the community. Thus, the project would not induce substantial population growth. The project would provide job opportunities, which may indirectly induce growth by attracting people to move to the area to fill available jobs. However, the majority of jobs provided by the project would most likely be filled by the current workforce in the area; therefore, indirect population growth is not expected to be significant. The project would not require the extension of infrastructure or roadways, since the site has been developed previously. Therefore, its potential to induce growth is considered less than significant.
Cumulative Effects	X						The proposed project would provide infill development in an urbanized area. While it would increase the intensity of development on the project site, it would not result in any significant impacts that would be cumulatively considerable.

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
1. Historic Properties 36 CFR 800 (CDBG) 36 CFR 801 (UDAG)					X	Historic and archaeological assessments have been conducted and are attached as appendices to this environmental assessment. Though archaeological resources are not known on-site, work should be halted temporarily in the event that as yet undiscovered resources are uncovered during grading.
2. Floodplain Management 42 FR 26951	X					The project area has a flood zone designation of C, an area of minimal flood potential (h).
3. Wetlands Protection 42 FR 26951	X					No wetlands are located on or near the project site (b).
4. Coastal Zone Plan 16 U.S.C. 1451	X					The project site is not located in a coastal zone (b, d).
5. Sole Source Aquifers 42 U.S.C. 201, 300(g) and 21 U.S.C. 349	X					No impact to primary drinking water sources is anticipated (b).
6. Endangered Species 16 U.S.C. 1531	X					No endangered species are located in the area (b).
7. Wild and Scenic Rivers 16 U.S.C. 1271	X					No wild or scenic rivers are located in the site vicinity (b, d).
8. Air Quality Protection 42 U.S.C. 7401	X					The project site is located in the South Coast Air Basin, which is a nonattainment area for ozone, carbon monoxide, nitrogen dioxide, and fine particulate matter (PM ₁₀). Project occupants would therefore be exposed to potentially unhealthful ambient air because this regional condition can not be feasibly mitigated. Emissions associated with operation of the proposed project would not be expected to exceed locally adopted significance thresholds (c). As the project is an urban infill redevelopment project, it would not significantly increase regional emissions of air pollutants. The infill development would likely reduce overall vehicle miles traveled regionally and associated air pollutant emissions.
9. Farmland Protection 7 U.S.C. 4201	X					No agricultural uses are located on-site, nor is there any agricultural land in the area (b).
10. Environmental Justice Executive Order 12898	X					The project would provide affordable housing and childcare services to the residents of East Los Angeles. It would not expose minority or low-income groups to hazardous environmental conditions (b).

HUD - NEPA - Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Area of Statutory/ Regulatory Compliance	Not Applicable To this Project	Consultation Required and Completed	Permits Required and Obtained	Project Consistent with Applicable Policies	Conditions and/or Mitigation Actions Required	Note Compliance Documentation
11. HUD Environmental Standards, 24 CFR 51 as amended						
a. Noise Abatement 24 CFR 51B					X	Project construction would generate short-term noise level increases. Local noise ordinances would apply. The proposed project would not generate substantial noise in the long term. The project would be exposed to noise exceeding HUD's 65 dBA Ldn residential standard due to traffic on the nearby Santa Ana Freeway (Interstate 5). Onsite noise levels are estimated at between 70 and 75 dBA Ldn. Therefore, mitigation would be required to achieve an acceptable interior noise level.
b. Landfill Hazards CPD Letter 79-33	X					The project site is not subject to any known landfill hazards (b, d).
c. Upset Hazards 24 CFR 51B	X					The project site is not subject to any known upset hazards (b, d).
d. Flammable Oper. 24 CFR 51C	X					The project site is not subject to any known flammable operations or explosives (b).
e. Toxic/Radioactivity HUD Notice 79-33	X					The project site is not subject to any known toxic chemicals or radioactivity (b).
f. Airport Clear Zones 24 CFR 51D	X					The project site is not in an airport clear zone (b, d).

HUD – NEPA – Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Summary of Findings and Conclusions:

The proposed project involves the acquisition of a 37,687 square foot site for the development of 31 multi-family residential units and a childcare facility. The site is designated *Medium Density Residential* in the East Los Angeles Community Plan and is zoned R-3 (*Limited Multiple Residence*). The site is located in an area characterized primarily by a mix of single and multiple family residences. The proposed project would be consistent with the character of the surrounding area. However, onsite noise levels would exceed HUD's 65 dBA Ldn standard due to traffic on the nearby Santa Ana Freeway.

The project site is flat and displays no evidence of erosion or soil suitability problems. Existing vegetation consists of introduced ornamental landscape species. No wildlife was observed on the site.

The proposed project would not significantly affect public facilities or services. It would displace an existing church and house; however, both structures are currently vacant. The project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The site is within flood zone C, an area of minimal flood hazard.

The project would not significantly affect local or regional air quality. It would incrementally increase daily traffic volumes in the area. However, the estimated 431 trips that would be generated are less than the local threshold level; therefore, significant impacts to the local circulation system are not anticipated.

Summary of Environmental Conditions:

The project site is flat and is currently occupied by a vacant church and residence. Onsite vegetation consists of introduced and ornamental vegetation. No unique natural features are present on the site.

Project Modifications and Alternatives Considered:

No unavoidably significant impacts were identified for the proposed project. Therefore, project alternatives or modifications have not been considered.

HUD – NEPA – Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

Mitigation Measures Required:

The following mitigation measures are required:

1. **Noise.** In order to achieve an acceptable interior noise level of 45 dBA Ldn or lower, the following or their functional equivalent shall be incorporated into project design:
 - *Air conditioning or mechanical ventilation systems that allow windows to remain closed*
 - *Double paned glass in windows and sliding glass doors*
 - *Mounting of windows in low air infiltration rate frames (0.5 cfm or less, per American National Standard Institute [ANSI] specifications)*
 - *Solid core exterior doors with perimeter weather stripping and threshold seals*
 - *Exterior walls consisting of stucco, brick veneer, or wood siding with a 1/2" minimum thickness fiberboard underlayer*
 - *Baffling of roof or attic vents facing the noise source*

In addition, usable outdoor areas (yards, balconies, play areas) shall be oriented away from the Santa Ana Freeway.

2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - Landscaped areas shall be planted with drought-tolerant species, minimizing to 50% areas dedicated to turf. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

HUD – NEPA – Environmental Assessment

Project Name and Identification Number: Rowan Eastman Apartments Project/HMD001

References:

- a. Tina Fung, Regional Planning Assistant II, Los Angeles County Department of Regional Planning, e-mail message August 29, 2002. (CONTACT)
- b. Melissa Mascali, Rincon Consultants, site visit, August 2002. (FIELD)
- c. South Coast Air Quality Management District (April 1993), CEQA Air Quality Handbook. (PRINTED)
- d. The Thomas Guide: Los Angeles and Ventura Counties, 2002. (PRINTED)
- e. Institute of Transportation Engineers, Trip Generation, 6th Edition, 1997. (PRINTED)
- f. Los Angeles Unified School District web site (www.lausd.k12.ca.us), September 2002. (ELECTRONIC)
- g. Los Angeles County Community Development Commission, East L.A. Civic Center EA. (PRINTED)
- h. Leticia Riedel, Los Angeles County Public Works Dept., telephone conversation, September 10, 2002. (CONTACT)

HUD – NEPA - Environmental Assessment

Project Name and Identification Number: Las Flores Housing/Childcare Project/HMD001

1. Is the project in compliance with applicable laws and regulations? ☒ yes ☐ no
2. Is an EIS required? ☐ yes ☒ no
3. A Finding of No Significant Impact (FONSI) can be made. The project will not significantly affect the quality of the human environment. ☒ yes ☐ no

Basic Reasons Supporting Decision:

The proposed project involves the acquisition of a 37,687 square foot site for the development of up to 31 multi-family residential units and a childcare facility. The site is designated *Medium Density Residential* in the East Los Angeles Community Plan and is zoned R-3 (*Limited Multiple Residence*). The site is located in an area characterized primarily by a mix of single and multiple family residences. The proposed project would be consistent with the character of the surrounding area. However, onsite noise levels would exceed HUD's 65 dBA Ldn standard due to traffic on the nearby Santa Ana Freeway.

The project site is flat and displays no evidence of erosion or soil suitability problems. Existing vegetation consists of introduced ornamental landscape species. No wildlife was observed on the site.

The proposed project would not significantly affect public facilities or services. It would displace an existing church and house; however, both structures are currently vacant. The project is not expected to disturb either historic or archaeological resources; nevertheless, if previously unidentified archaeological resources are identified during grading or construction, work will need to be temporarily suspended while the find is evaluated by a qualified archaeologist.

The project would not consume substantial quantities of water or energy or generate substantial quantities of solid waste or wastewater. Nevertheless, water conservation measures and recycling facilities should be incorporated into project design. The site is within flood zone C, an area of minimal flood hazard.

The project would not significantly affect local or regional air quality. It would incrementally increase daily traffic volumes in the area. However, the estimated 431 trips that would be generated are less than the local threshold level; therefore, significant impacts to the local circulation system are not anticipated.

The following mitigation measures are required:

1. **Noise.** In order to achieve an acceptable interior noise level of 45 dBA Ldn or lower, the following or their functional equivalent shall be incorporated into project design:
 - Air conditioning or mechanical ventilation systems that allow windows to remain closed
 - Double paned glass in windows and sliding glass doors
 - Mounting of windows in low air infiltration rate frames (0.5 cfm or less, per American National Standard Institute [ANSI] specifications)
 - Solid core exterior doors with perimeter weather stripping and threshold seals
 - Exterior walls consisting of stucco, brick veneer, or wood siding with a 1/2" minimum thickness fiberboard underlayer
 - Baffling of roof or attic vents facing the noise source

HUD - NEPA - Environmental Assessment

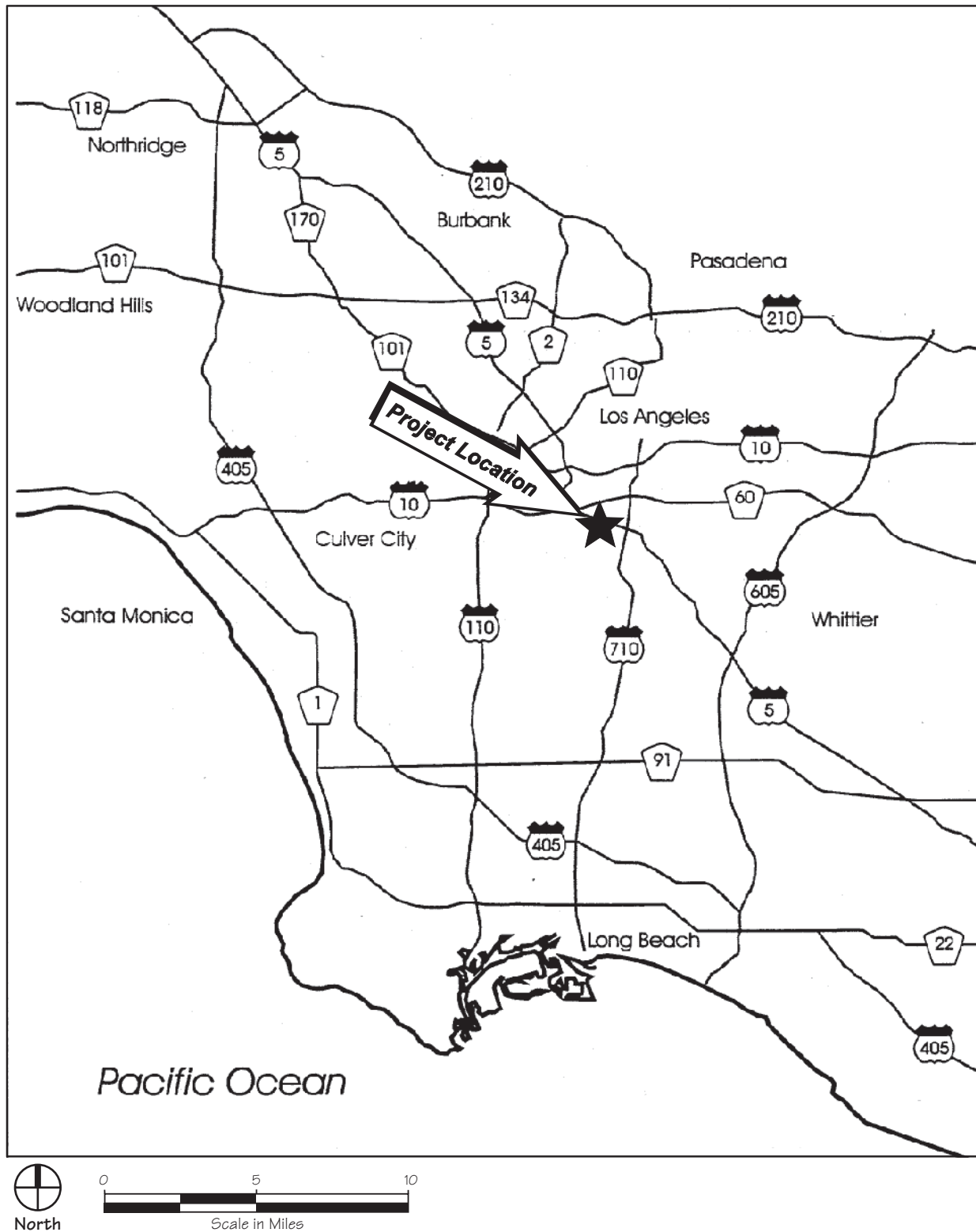
Project Name and Identification Number: City of Bell Gardens Paseo Project/project number not assigned

In addition, usable outdoor areas (yards, balconies, play areas) shall be oriented away from the Santa Ana Freeway.

2. **Historic, Cultural, and Archaeological Resources.** No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the project's archaeological area of potential effect (APE) must be temporarily suspended until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.
3. **Solid Waste Recycling.** Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. **Water Supply.** Because of ongoing concerns about regional water supplies, the following shall be incorporated into project design:
 - Landscaped areas shall be planted with drought-tolerant species, minimizing to 50% areas dedicated to turf. Irrigation shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.
 - All structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.
5. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission (CDC) of Los Angeles County.

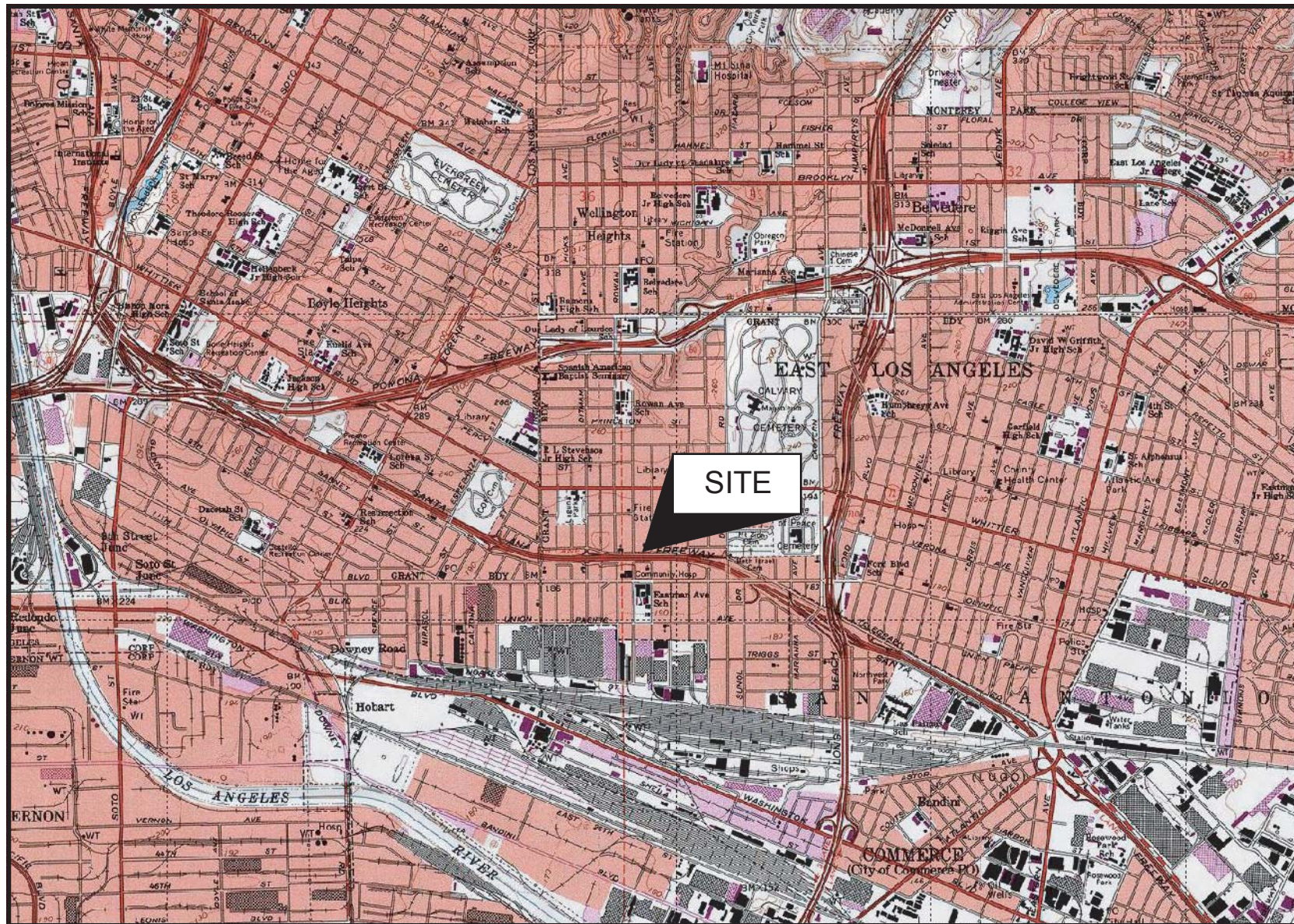
The proposed project would not result in significant impacts to the environment and a Finding of No Significant Impact can be made.

Prepared by:	<u>Melissa Mascali, MESM</u>	Title:	<u>Environmental Analyst</u>
Date:	<u>September 12, 2003</u>		
Concurred in:	<u>Donald Dean</u>	Title:	<u>Environmental Officer, Community Development Commission of the County of Los Angeles</u>
Date:	<u>September 12, 2003</u>		



Regional Location

Figure 1
LACDC



Source: National Geographic TOPOI, 2001



Project Location

Figure 2
LACDC



Vacant church at 1074 Rowan Avenue.



View of project site from corner of Eastman Avenue and Dennison.



1063 and 1073 Eastman Avenue. Church visible at left.

Views of the Project Site





Single-family residences across Rowan Avenue from project site.



Small apartment complex directly adjacent to project site on Eastman Avenue.

Surrounding Land Uses





**CONEJO
ARCHAEOLOGICAL
CONSULTANTS**

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805/494-4309
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August 26, 2002

Mr. Joe Power
Rincon Consultants, Inc.
790 E. Santa Clara St.
Ventura, CA 93001

Subject: Rowan Eastman Apartments Project, CDC Project No. HMD001

Dear Mr. Power:

Archaeological investigations consisting of a record search, project description review and site visit have been completed for the above project located at 1074 South Rowan Avenue, and 1063 and 1073 Eastman Avenue in unincorporated Los Angeles County, California (Exhibits 1 & 2). This project is expected to have no effect on archaeological resources and no further archaeological investigation is recommended at this time. A brief project description, and the findings and recommendations of this investigation are presented below:

Project Description

The project involves the acquisition of a 37,687 square foot site for the development of up to 31 units of multi-family housing at 1074 South Rowan Avenue, and 1063 and 1073 Eastman Avenue in unincorporated East Los Angeles. The 31 units will be divided among up to six buildings. The project entails the demolition of a Church at the southwest corner of Rowan Avenue and Dennison Street and demolition of a single-family residence, a shed and a two-car garage along Eastern Avenue. Off site improvements may include driveways, curbs, gutters, signage, speed bumps, landscaping street lighting, storm drains, and utility installation.

Record Search

A record search was conducted at the South Central Coastal Information Center housed at CSU Fullerton on August 26, 2002. The record search entailed a review of all recorded archaeological sites and survey reports within a one-mile radius of the project site. In addition, the listings of the National Register of Historic Places, the California

State Historic Resources Inventory, and California Historical Landmarks listings were reviewed.

No prehistoric or historic archaeological sites are recorded within a one-mile radius of the project site. The Union Pacific Railroad (historically Southern Pacific Railroad) is identified by the SCCIC as a historic built environment, resource number 19-186112. The railroad tracks are located approximately 0.5-mile south of the project site and will not be impacted by project implementation.

Eight archaeological surveys were conducted within a one-mile radius of the project site. None of these surveys were located within the project site. Two surveys of the Golden State Freeway (5) corridor are located just south of the project site.

The listings of the National Register of Historic Places (NRHP), California Historical Landmarks, California Points of Historical Interest, and California State Historic Resources Inventory include no properties within or immediately adjacent to the project site. No Los Angeles Cultural Heritage Board designated historical monuments are located within or adjacent to the project site.

California Environmental (2002)¹ conducted a Preliminary Environmental Site Assessment – Phase I for the project site that included a review of Sanborn historical fire insurance maps, historical aerial photographs and historical topographic maps. California Environmental's findings on the historic use of the property are summarized in the Table 1.

Table 1: Historic Use of Rowan Eastman Apartments Project Site

Historical Topographic Maps	
<i>Date</i>	<i>Description</i>
1900 L.A. Quad	The subject property appears to be undeveloped.
1966, 1981, 1994 L.A. Quad	The western portion of the subject property is developed with a church. The site is located within an area of urban development.
Historical Sanborn Fire Insurance Maps	
1921	The subject property is developed with four dwellings and detached garage structures. The site is located in a residential neighborhood.
1949	The subject property is developed with three dwellings and a detached garage on the eastern portion of the property.
1967	The western portion of the property is developed with a church and parking lot. The eastern portion of the property is developed with five dwellings and two detached structures.

¹ California Environmental (2002), Preliminary Environmental Site Assessment – Phase I, 1063 and 1073 South Eastman Avenue, 1074 South Rowan Avenue, Los Angeles, California 90023 for East Los Angeles Community Corporation. CE Job No. EV302-2355, April 2002.

Historical Aerial Photographs	
1964	The eastern portion of the subject property is developed with residences. The surrounding properties consist of residences.
1972	The property is developed with the present day church and residence. The balance of the site consists of a parking lot, with small structures (perhaps residences) located on the southeastern portion of the property.
1985	The subject property is developed with the present-day church, residence and parking lot.
1992	The subject property remains as previously described in 1985 aerial photograph.

Historian Judy Triem (personal communication) will be conducting a Section 106 evaluation of the project's built environment.

Site Visit

A project site visit was conducted by archaeologist Mary Maki on August 25, 2002. Over 95 percent of the project APE is built or paved. The majority of the APE consists of a parking lot used for the First Prochladndye Church of Russian Molokian, which is located in the southwest corner of the APE. In 1959, the church was moved from an offsite property to its current 1074 South Rowan Avenue location (California Environmental 2002). The only ground surface available for inspection was the small yard by the single-family residence, which afforded good ground surface visibility. No indication of prehistoric or historic resources was noted in the limited area available for ground surface survey. The APE is bordered by Dennison Avenue and the Golden State Freeway (5) to the south, and residential development to the north, east and west.

The lack of ground surface visibility over 95-percent of the APE made a formal ground surface survey of the project site unfeasible. The ground surface throughout the APE has been disturbed by grading and to a lesser extent by trenching associated with past construction and demolition activities.

Recommendations

Given the absence of recorded archaeological sites and lack of natural watercourses in the general project vicinity, in combination with the extent of previous ground disturbance associated with the construction of the existing and previous structures, the likelihood of the proposed project impacting significant archaeological resources is low. Therefore, the proposed project is expected to have no effect on archaeological resources and no further archaeological investigation or monitoring is warranted at this

time, as long as the following two conditions are incorporated as conditions of project approval:

1. In the event that archaeological resources are unearthed during project construction, all earth disturbing work within the subject property must be temporarily suspended or redirected until an archaeologist has evaluated the nature and significance of the find. A Tongva/Gabrielino representative should monitor any mitigation excavation associated with Native American materials. After the find has been appropriately mitigated work in the area may resume.
2. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.

Please call me at (805) 494-4309 if you have any questions. Thank you for using Conejo Archaeological Consultants for your cultural resource management needs.

Sincerely,

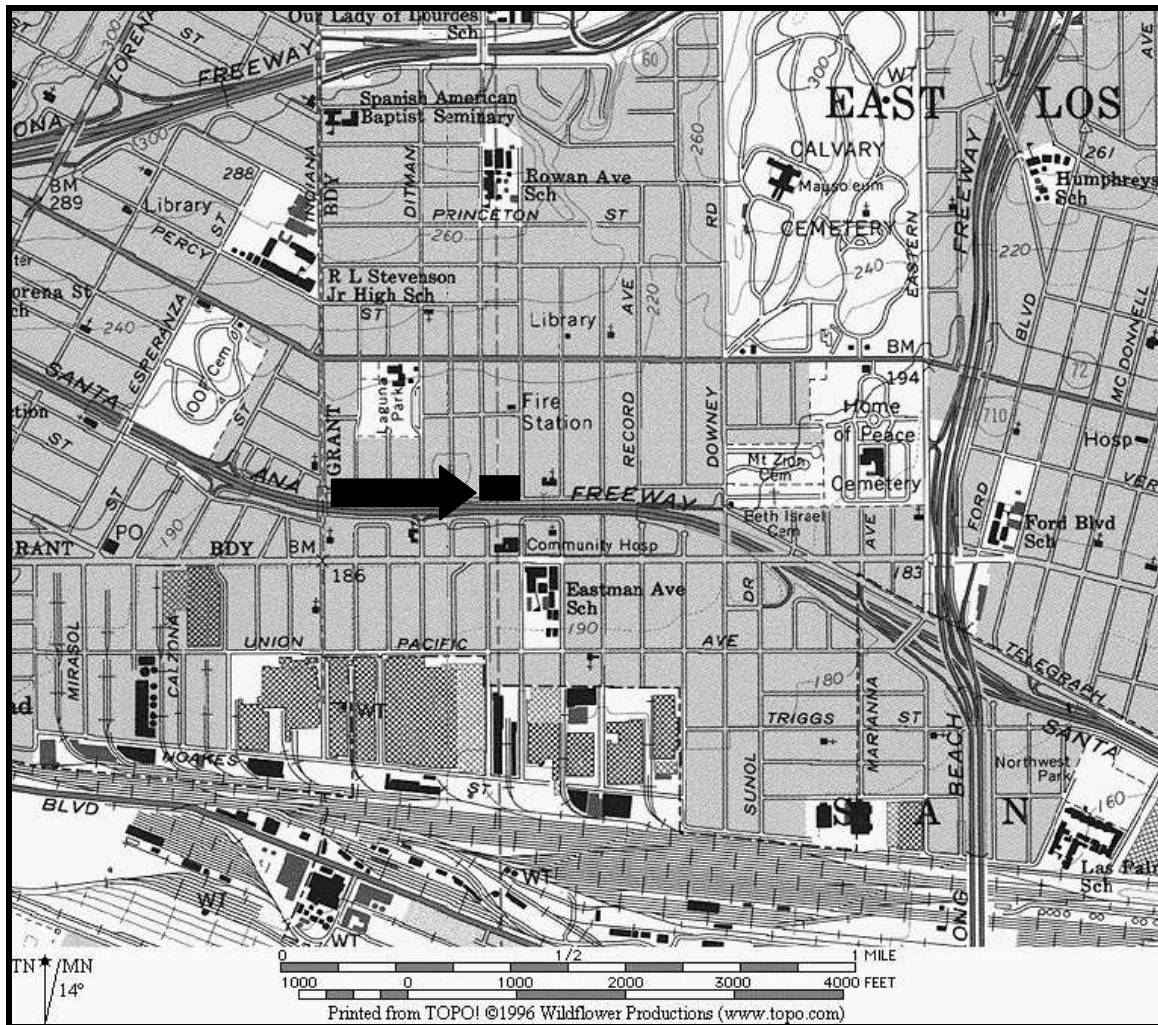
Mary K. Maki, M.A., RPA
Archaeologist

cc: SCCIC



PROJECT VICINITY MAP
Rowan Eastman Apartments Project
Unincorporated Los Angeles County

Exhibit 1



Source: USGS 7.5' Los Angeles Quadrangle, 1966, photorevised 1981

PROJECT AREA OF POTENTIAL EFFECT

Rowan Eastman Apartments Project
Unincorporated Los Angeles County

Exhibit 2

Section 106 Review

Date: August 30, 2002

Name: Rowan Eastman Apartments Project

Location: 1074 South Rowan Avenue and 1063-1073 South Eastman Avenue, Los Angeles

Project No.: HMD001

1. Description of Undertaking

The Los Angeles County Community Development Commission plans to use federal funds to acquire a 37,687 square foot site in order to develop up to 31 units of multi-family housing at 1074 South Rowan Avenue and 1063-1073 South Eastman Avenue in unincorporated East Los Angeles. The 31 units will be divided among six buildings and will include a mix of one, two and three bedroom apartments totaling about 35,000 square feet.

There will be demolition of a church building at the southwest corner of Rowan Avenue and Dennison Street and demolition of a single family residence, a shed and two-car garage along Eastern Avenue.

Off-site improvements may include driveways, curbs, gutters, signage, speed bumps, landscaping, street lighting, storm drains, and utility installation.

2. Area of Potential Effect

The Area of Potential Effect (APE) includes the project site itself (APN 5239-006-015, 017 and 033), the adjacent properties and the property across the street.

3. Description of Location of Undertaking

The project site along Eastman Avenue contains a residence, garage and shed. The house dates from 1914. The garage was built after 1921. The adjacent lot on Eastman Avenue within the project site is vacant. The church building located at 1074 S. Rowan Avenue was built in 1951 and moved to the site in 1958 from Atlantic & Evergreen, Los Angeles.

Adjacent to the project site on Rowan Avenue on the north are single family residences from the 1920s. Across Rowan Avenue from the project site are single family residences from the 1920s. Adjacent to the project site on Eastman Avenue on the north is an apartment building from the 1970s. Across Eastman Avenue from the project site are single family residences from the 1920s.

South of the project site, across Dennison Avenue, is the Santa Ana Freeway.

4. Historic Resources/National Register Determination

The project site contains a residence at 1063 S. Eastman Avenue built in 1914 according to Dataquick Information. The house is rectangular in plan with a side facing gable roof and a shed roof over the front porch. The house has been altered from the original. It is covered with asbestos siding, but was probably clapboard siding originally. The front windows have been enlarged. Sanborn maps for 1921 show a smaller house located closer to the front of the property. The 1949 Sanborn Map shows what appears to be the present house moved to the rear of the property with the garage in the present location.

The church building at 1074 South Rowan Avenue serves as the First Prochladnye Church of Russian Molokian. It was moved to the site in 1959 from Atlantic and Evergreen. The building was constructed in 1951 according to Dataquick Information. The building is rectangular in plan with a front gable roof and overhanging closed eaves. An offset gable roofed porch is located on the north side of the front elevation. Windows are multi-paned. The building is covered with stucco siding. The church has lost its integrity of design with changes to the siding and windows.

The adjacent residences within the APE have been altered with changes to siding and windows. They

no longer retain their original integrity.

The criteria for determining eligibility for listing on the National Register of Historic Places (NRHP) have been developed by the National Park Service. Properties may qualify for NRHP listing if they:

- A. are associated with events that have made a significant contribution to the broad patterns of our history; or
- B. are associated with the lives of persons significant in our past; or
- C. embody the distinctive characteristics of a type, period, or method of construction or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- D. have yielded, or may be likely to yield, information important in prehistory or history.

According to the National Register of Historic Places guidelines, the "essential physical features" of a property must be present for it to convey its significance. Further, in order to qualify for the NRHP, a resource must retain its integrity, or "the ability of a property to convey its significance."

The seven aspects of integrity are: Location (the place where the historic property was constructed or the place where the historic event occurred); Design (the combination of elements that create the form, plan, space, structure, and style of a property); Setting (the physical environment of a historic property); Materials (the physical elements that were combined or deposited during a particular period of time and in a particular pattern or configuration to form a historic property); Workmanship (the physical evidence of the crafts of a particular culture or people during any given period of history or prehistory); Feeling (a property's expression of the aesthetic or historic sense of a particular period of time), and; Association (the direct link between an important historic event or person and a historic property).

None of the buildings appear to be associated with events (Criterion A) that have made a significant contribution to the history of East Los Angeles. No information was obtained on the history of the Russian church. Because the building was moved from its original site and has lost its architectural integrity, it is no longer eligible for listing on the National Register.

There are no known significant persons (Criterion B) associated with any buildings within the APE.

The buildings do not embody the distinctive characteristics of a type, period, or method of construction (Criterion C). None of the buildings were designed by an architect.

In regards to the seven aspects of integrity, the church building is not in its original location. Its design has been changed with the many alterations occurring to the building over time. The setting has been changed from the original, because the building was moved. The materials have been changed on the church building, thus compromising the original workmanship. The building no longer retains its feeling and association as a church because of the above changes. The residences have also lost their integrity because of changes to materials and design.

In conclusion, there are presently no known buildings listed or eligible for listing on the National Register within the APE .

5. Information from Local Organizations

No information was collected from local organizations. The East Los Angeles Cultural Heritage Survey was consulted and found no listings for the project site.

6. Selected Sources

California Historical Landmarks, 1990

California Environmental. "Preliminary Environmental Site Assessment - Phase I." April 2002.

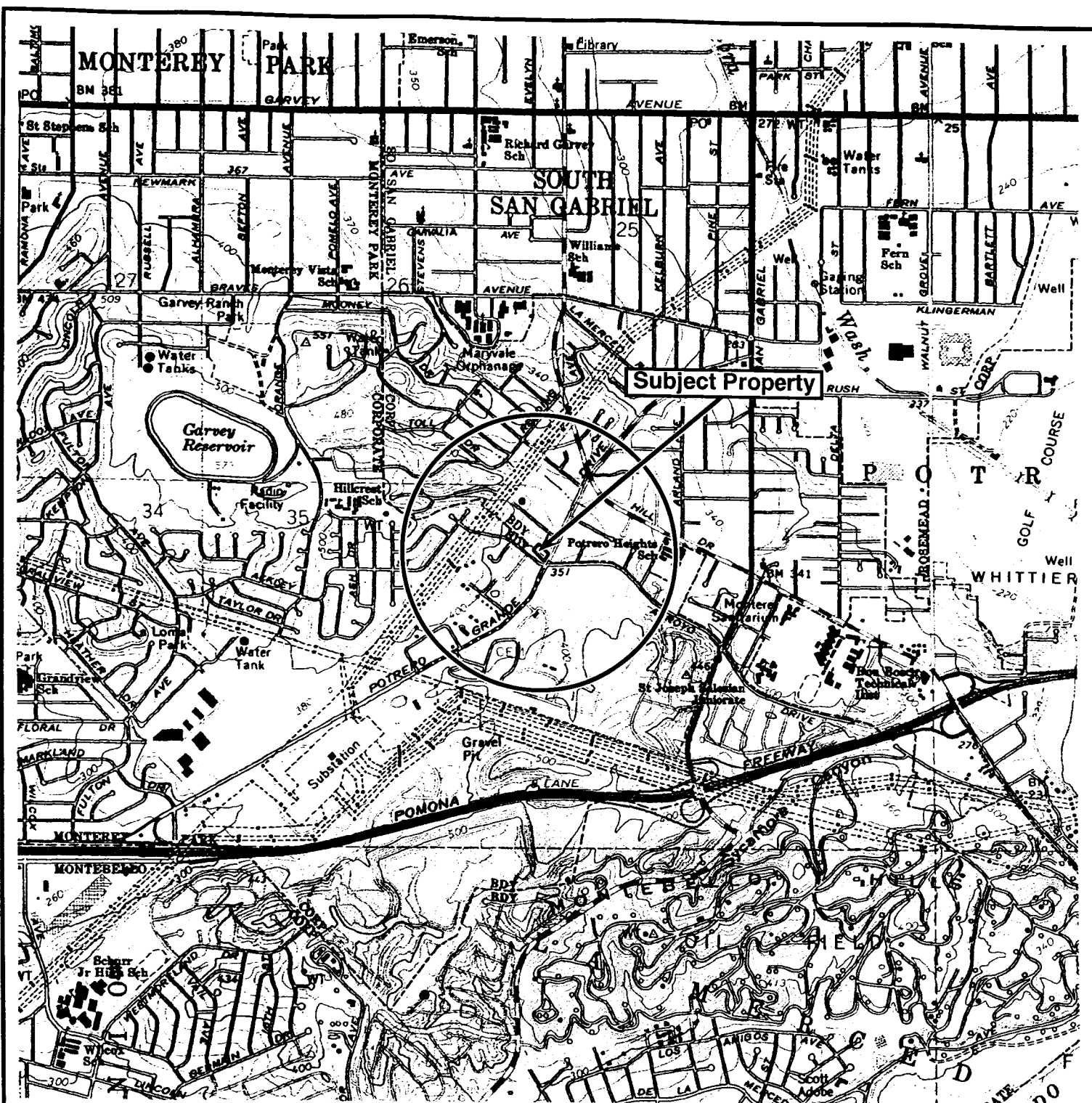
Community Research Group. East Los Angeles Cultural Heritage Survey. August, 1979

Dataquick Computerized Real Estate Information

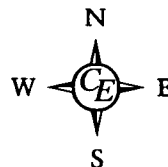
Ethnic Survey, Los Angeles County entries.

Federal Register Listings through January, 2002

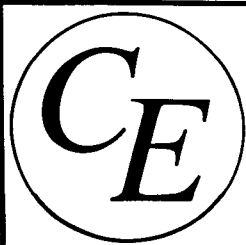
Gebhard, David and Winter, Robert, *Guide to Architecture in Los Angeles*, 1985.



SCALE
0 1000 2000feet
1 inch = 2000 feet



REFERENCE: USGS 7.5' El Monte Topographic Quadrangle, 1966 (Photorevised 1981)



VICINITY MAP	
1301-1309 Potrero Grande Drive South San Gabriel, California	
Drawn By:	LRN
Job #	EV502-2374
Checked By:	CIB
Date:	May 2002

*California
Environmental*

[View Enlarged Map](#)

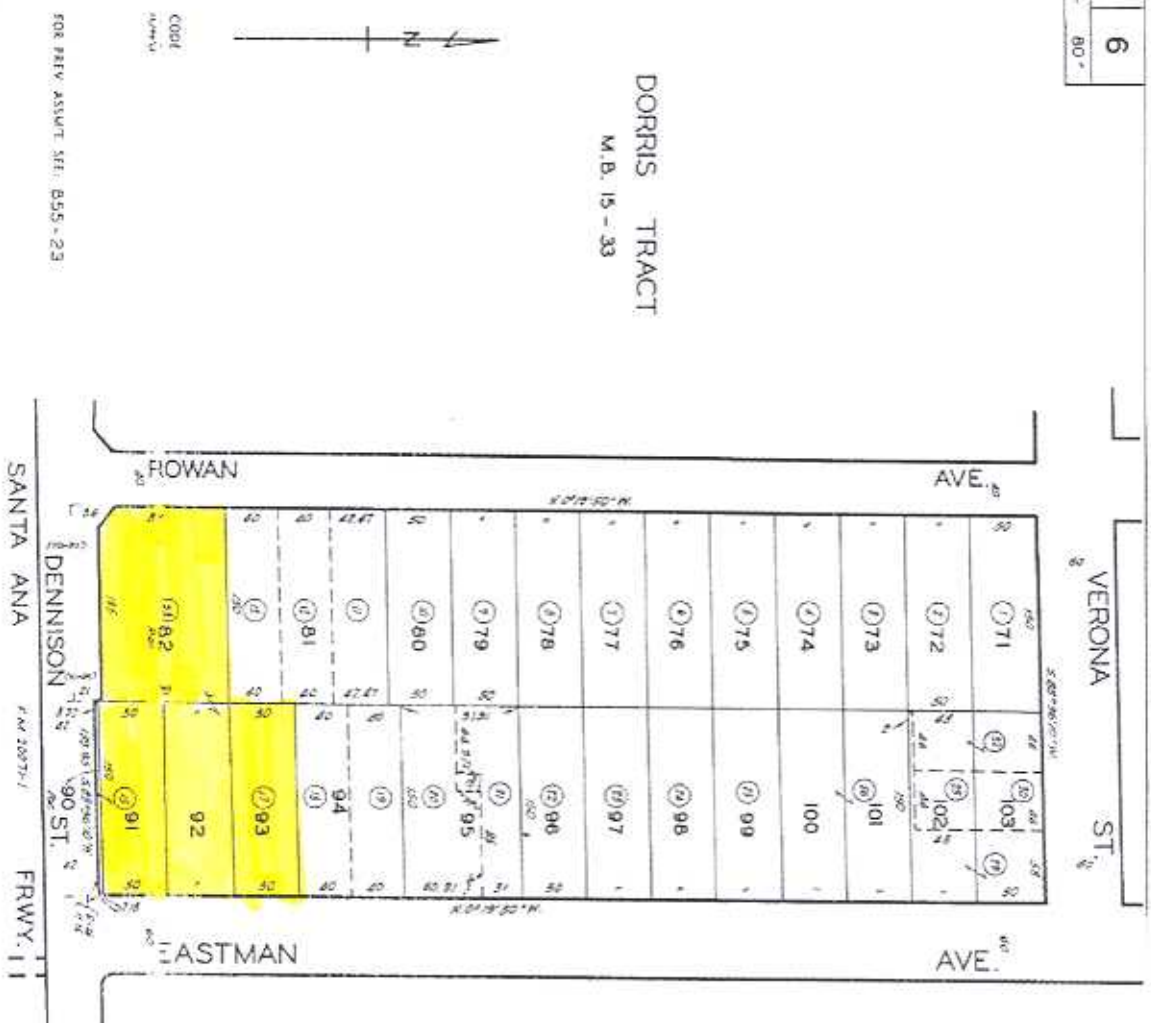
[View Printing Instructions](#)

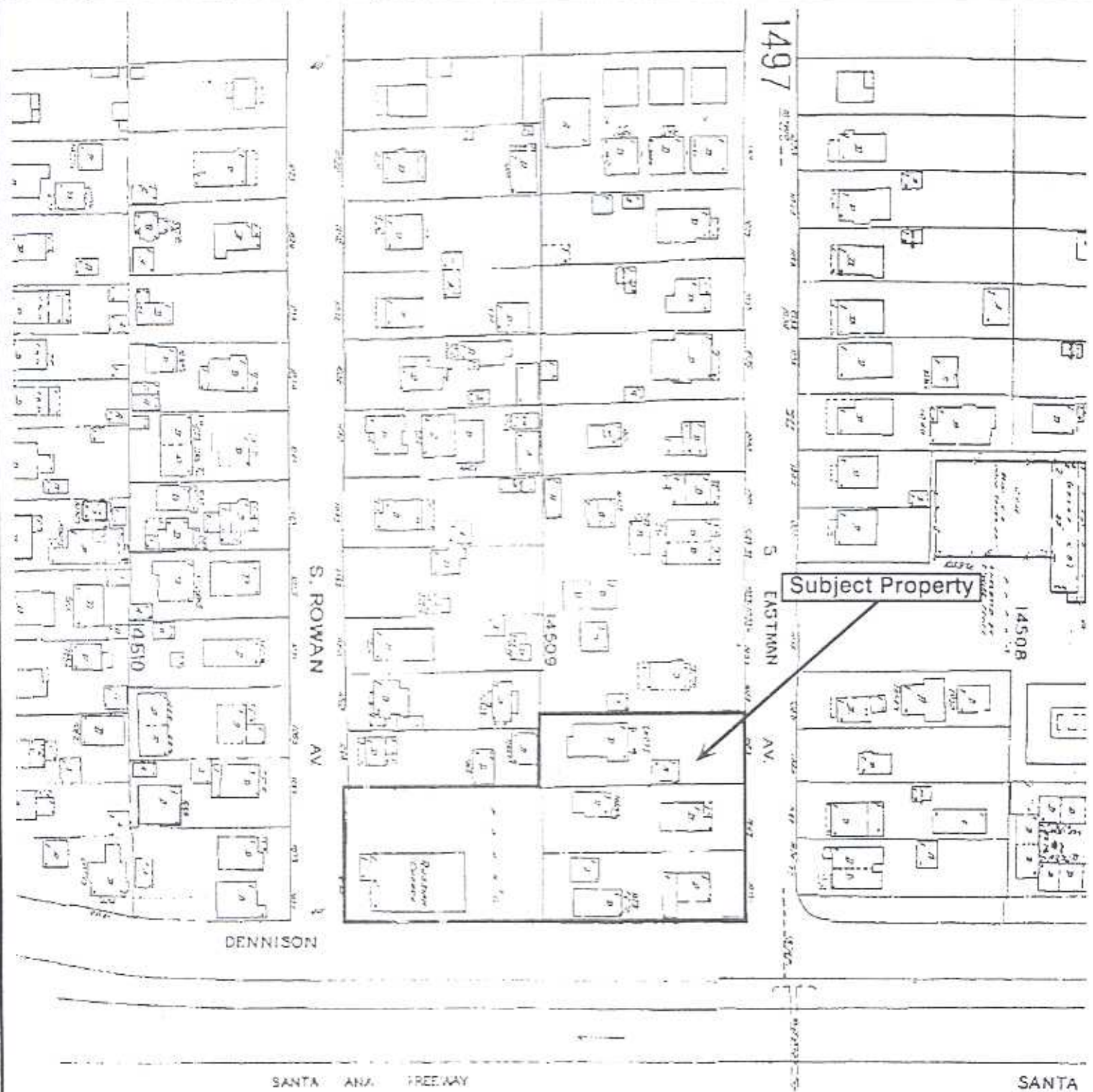
County of Los Angeles Rick Auerbach, Assessor

5239 6

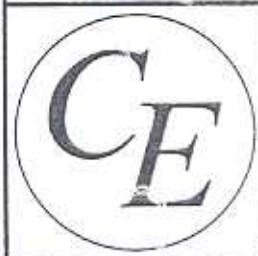
SCALE 1" = 80'

DORRIS TRACT
M.B. 15 - 33





REFERENCE: EDR Sanborn



1967 SANBORN MAP
 1063 & 1073 S. Eastman Ave., 1074 Rowan Ave.
 Los Angeles, California

Drawn By: **LRN**

Job # **EV302-2355**

Checked By: **CIB**

Date: **April 2002**

*California
 Environmental*



Photo 1

project site: 1063-1073
S. Eastman Ave.,
residence and garage,
facing west

29 August 2002



Photo 2

project site: 1063-1073
S. Eastman Ave. shed
and rear of church,
facing west

29 August 2002



Photo 3

project site: 1074 S.
Rowan Ave., church,
facing east

29 August 2002



Photo 4

Project site: parking lot
adjacent to church,
facing east, showing
adjacent buildings on
north

29 August 2002



Photo 5

Houses across Rowan Ave. from project site, facing west

29 August 2002



Photo 6

Apartment adjacent to project site on Eastman Ave., facing northwest

29 August 2002



Photo 7

View looking east from project site across Eastman Ave.

29 August 2002



Photo 8

View looking east across Eastman Ave. from project site

29 August 2002



Photo 9
View looking east across
Eastman Ave. from
project site

29 August 2002

EXHIBIT "C.1" TO LOAN AGREEMENT

HOME PROMISSORY NOTE (HOME - PROJECT NO.HE0077)

\$1,059,126
_____, 2004

For value received, the undersigned, CAMINO DE LAS FLORES LIMITED PARTNERSHIP, a California limited partnership ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("COMMISSION") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as COMMISSION may from time to time designate in writing), the principal sum of ONE MILLION FIFTY NINE THOUSAND ONE HUNDRED TWENTY SIX DOLLARS (\$1,059,126) (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, __, 2004, entered into between Borrower and COMMISSION (the "Loan Agreement"), and the terms and conditions of this HOME Promissory Note (this "HOME Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest~~{tc \l2 "1.1 Basic Interest}~~. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("HOME Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts~~{tc \l2 "1.2 Payment Dates and Amounts}~~. Except to the extent payable sooner pursuant this HOME Note or Section 2.3 of the Loan Agreement, Borrower shall repay the Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("Maturity Date") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts shall be calculated by dividing the outstanding principal balance of the Loan by the sum of the outstanding principal balance of the Loan and the outstanding principal balances of all other residual receipts notes approved for the Project by COMMISSION. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION.

Notwithstanding any other provision of this Note:

- (i) unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date;
- (ii) fifty percent (50%) of any reserves described in Section 15.5.5 (and any interest thereon) which are remaining in a Reserve Account at the end of the applicable Reserve Period (as both terms are defined in Section 15.5.5) shall, at such time, be applied to the repayment of the Loan, and Borrower hereby authorizes the Escrow Agent to disburse such remaining funds directly to HACOLA without the need for any further instruction or authorization from Borrower;
- (iii) any reserves described in Section 15.5.5 (and any interest thereon) in a Reserve Account in excess of the Operating Reserve Cap or the Replacement Reserve Cap (as both terms are defined in Section 15.5.5(c)) shall be applied to repayment of the Loan unless alternative uses of excess reserves are approved in writing by HACOLA which approval shall be in HACOLA's sole and absolute discretion.

Notwithstanding anything to the contrary in this Section 1.2, obligations of Borrower accruing or to be performed in any calendar year may be deemed to accrue or be performed in the Borrower's fiscal year, subject to the approval of HACOLA's Executive Director, which approval may be withheld in the Executive Director's sole and absolute discretion.

1.3 Calculation of Residual Receipts{tc \12 "1.3 Optional Deferral Based Upon Residual Receipts}. Borrower shall provide to COMMISSION for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by COMMISSION for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to COMMISSION any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate{tc \12 "1.4 Repayment of Deferral; Deferral Interest; Default Rate}. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this HOME Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts{tc \12 "1.5 Definition of Residual Receipts}.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include,

but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; and (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed ten percent (10%) of Gross Rents from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to COMMISSION, and shall be paid after the payment of all other Operating Expenses, and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only

be considered Operating Expenses to the extent they do not exceed \$10,000 in the aggregate in any year; and (v) deposits toward Eligible Reserves (as defined in Section 1.5.5 below).

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.5.5 Reserves.

(a) Definitions.

(i) "Eligible Reserves" shall mean, with respect to each calendar year or portion thereof, Operating Reserves and Replacement Reserves, which meet the requirements set forth in Subpart (b) of this Section 1.5.5.

(ii) "Operating Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Operating Reserve Account (as hereinafter defined), subject to the Operating Reserve Cap (as hereinafter defined), and actually set aside for:

- (A) taxes and assessments, as descry bed in Section 1.5.3(ii);
- (B) insurance premiums, as described in Section 1.5.3(iii);
- (C) operation of the Project as may, for reasons other than those described in this Subpart (a)(ii) of this Section 1.5.5, be required in connection with Senior Financing or by an

investor limited partner; and

- (D) any other purpose which itself constitutes an Operating Expense.

(iii) “Replacement Reserves” shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Replacement Reserve Account (as hereinafter defined), and actually set aside for her capital expenditures, which reserves shall be in an amount not more than the greater of (I) Two Hundred Dollars (\$200) per unit, or (II) subject to the Replacement Reserve Cap (as defined in Subsection (c) of this Section 1.5.5), such higher amount per unit as may be required by a tax creditor investor or holder of Senior Financing.

(b) Eligible Reserve Expenditure Requirements. Reserves shall be considered Eligible Reserves only if:

(i) COMMISSION has approved a written request (“Reserve Request”) submitted to COMMISSION by Borrower which identifies:

- (A) the specific expenditure(s) sought to be reserved for;
- (B) the reasons why it is necessary to provide a reserve for the expenditure(s); and
- (C) each particular period, which shall in no event be for more than five (5) years from the date COMMISSION approves the Reserve Request (the “Reserve Period”), during which the funds sought to be reserved are to be expended; and

(ii) The Reserves are segregated in a special account for Operating Reserves (“Operating Reserve Account”) and/or Replacement Reserves (“Replacement Reserve Account”), as the case may be (either sometimes referred to as a “Reserve Account”), established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties (“Escrow Agent”).

(c) Reserve Caps. The Operating Reserves together with operating reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed \$40,000 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) (“Operating Reserve Cap”). The Replacement Reserves together with replacement reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed \$16,000 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) (“Replacement Reserve Cap”).

(d) Release of Eligible Reserves. Operating Reserves and Replacement Reserves shall not be released to Borrower out of the Operating Reserve Account and Replacement Reserve Account, respectively, unless and until:

- (i) the Borrower has submitted to COMMISSION:

- (A) a written disbursement request ("Disbursement Request") seeking the release of funds out of the applicable Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by COMMISSION;
- (B) supporting documentation establishing, in COMMISSION's sole determination, that but for the release of the funds requested in the Disbursement Request, sufficient funds would not otherwise be available to the Borrower for the designated expenditure(s); and

(ii) COMMISSION has, in its sole and absolute discretion, approved in writing the Disbursement Request.

(e) "Up Front" Reservation of Funds. In addition to funding Project reserves out of Residual Receipts, as provided for in Section 1.5.3(v), Project reserves may be funded directly from the proceeds of the Loan, provided (i) COMMISSION has approved a "Reserve Request" (as defined in Section 1.5.5(b)(i)) which approval may be granted in COMMISSION's sole and absolute discretion; (ii) the reserves are placed into the appropriate Reserve Account (as defined in Section 1.5.5(b)(ii)); and (iii) the reserves are not released except in accordance with Section 1.5.5(d).

(f) Investment of Reserve Account. Funds in any Reserve Account established pursuant to this Section 1.5.5 shall be deposited in a banking institution whose deposits are insured by an agency of the federal government. Borrower may invest funds in a Reserve Account in domestic bank certificates which are insured by an agency of the federal government; in direct obligations of the federal government; in federal government agencies with an AA rating or better; federally guaranteed agencies, or in repurchase agreements which are direct obligations of the federal government or federal agencies; or which are collateralized by federal government obligations; or in short-term commercial paper receiving the highest rating from Moody's or from Standard and Poors. Borrower shall select the investment vehicles and maturities (not to exceed five years) on such investments so as to yield the maximum return, consistent with good business practice, including the need for available cash in the Reserve Account.

1.6 Additional Payments upon Assignments, Refinancings. In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the

Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

“Assignment” means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower’s interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower’s estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term “Assignment” as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

“Net Proceeds” of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to COMMISSION), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys’ fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

“Refinancing” shall mean creation or substantial modification of a loan (“Project Loan”) secured by an encumbrance on the Site, the Project, or any portion thereof. The term “Refinancing”

shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

2. Acceleration{tc \11 "2. Acceleration}.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this HOME Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments{tc \11 "3. Prepayment; Application of Payments}.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this HOME Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the HOME Note.

4. Security and Source of Payment{tc \11 "4. Security and Source of Payment}.

Borrower's obligations under this HOME Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which COMMISSION is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this HOME Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the Loan.

5. Obligation of Borrower Unconditional{tc \l1 "5. Obligation of Borrower Unconditional}.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this HOME Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this HOME Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this HOME Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan{tc \l1 "6. Purpose of Loan}.

The Loan proceeds shall be used by Borrower only to provide financing for the housing development and those specific Project purposes described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this HOME Note and the Loan Agreement.

7. Covenants of Borrower{tc \l1 "7. Covenants of Borrower}.

As additional consideration for the making of the Loan by COMMISSION, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and Deed of Trust{tc \l2 "7.1 Compliance with Loan Agreement and Deed of Trust}. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans{tc \l2 "7.2 Other Loans}. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this HOME Note{tc \l1 "8. Assignment of this Note}.

This HOME Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION, which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this HOME Note, no purported assignment of this HOME Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion, including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this HOME Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, COMMISSION has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies{tc \l1 "9. Events of Default and Remedies}.

A. Borrower Events of Default{tc \l3 "A. Borrower Events of Default}. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this HOME Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or warranty by Borrower under the terms of this HOME Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal

bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this HOME Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. COMMISSION Remedies ~~tc \3 "B. HACOLA Remedies~~. Upon the occurrence of an Event of Default hereunder, COMMISSION may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COMMISSION, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this HOME Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this HOME Note or the Loan Agreement, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this HOME Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, COMMISSION shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive~~{tc \13 "C. No Remedy Exclusive}. No remedy herein conferred upon or reserved to COMMISSION is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this HOME Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this HOME Note, no notice shall be required except as expressly provided herein.~~

D. COMMISSION Default and Borrower Remedies~~{tc \13 "D. HACOLA Default and Borrower Remedies}. Upon fault or failure of COMMISSION to meet any of its obligations under this HOME Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:~~

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this HOME Note;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this HOME Note or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this HOME Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COMMISSION arising out of or in connection with this HOME Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California

Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

10. Agreement to Pay Attorneys' Fees and Expenses{tc \11 "10. Agreement to Pay Attorneys' Fees and Expenses}.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this HOME Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this HOME Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this HOME Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability{tc \11 "11. Conflict of Interest; No Individual Liability}.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this HOME Note, nor shall any official or employee of COMMISSION participate in any decision relating to this HOME Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COMMISSION shall be personally liable in the event of a breach of this HOME Note by COMMISSION.

12. Amendments, Changes and Modifications{tc \11 "12. Amendments, Changes and Modifications}.

This HOME Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices{tc \11 "13. Notices}.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this HOME Note shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and faxed or addressed as follows:

If to COMMISSION: Community Development Commission of the
County of Los Angeles

Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: Camino De Las Flores Limited Partnership
530 South Boyle Avenue
Los Angeles, CA 90033
Attn: Maria Cabildo, Executive Director
Fax No. (323) 261-1065

With a copy to: A Community of Friends
3345 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010
Attn: Executive Director
Fax No. (213) 480-1788

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this HOME Note.

14. Severability ~~11~~ "14. Severability).

The invalidity or unenforceability of any one or more provisions of this HOME Note will in no way affect any other provision.

15. Interpretation{tc \1 "15. Interpretation}.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this HOME Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this HOME Note by Borrower. Each Party has been represented by counsel in the negotiation of this HOME Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this HOME Note, nothing herein or in this HOME Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this HOME Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this HOME Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents{tc \1 "16. No Waiver; Consents}.

Any waiver by COMMISSION must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COMMISSION to take action on account of any default of Borrower. Consent by COMMISSION to any act or omission by Borrower will not be construed as consent to any other or subsequent act or omission or to waive the requirement for COMMISSION's consent to be obtained in any future or other instance.

17. Governing Law{tc \1 "17. Governing Law}.

This HOME Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower{tc \1 "18. Representations and Warranties of Borrower}.

Borrower hereby represents, warrants and covenants to COMMISSION that:

A. Organization and Standing{tc \13 "A. Organization and Standing}. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly formed, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this HOME Note, the Loan Agreement, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability{tc \13 "B. Enforceability}. This HOME Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents{tc \13 "C. Authorization and Consents}. The execution, delivery and performance of this HOME Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution{tc \13 "D. Due and Valid Execution}. This HOME Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses{tc \13 "E. Licenses}. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance{tc \13 "F. Litigation and Compliance}. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to COMMISSION) which could impair its ability to perform its obligations under this HOME Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this HOME Note.

G. Default{tc \13 "G. Default}. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations{tc \13 "H. No Violations}. The execution and delivery of this HOME Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals{tc \11 "19. Approvals}.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this HOME Note shall be solely for the benefit of COMMISSION, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not COMMISSION shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by COMMISSION under this HOME Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by COMMISSION's Executive Director without action by COMMISSION's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing to V1 "20. Good Faith and Fair Dealing).

COMMISSION and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this HOME Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of COMMISSION or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which COMMISSION may have.

IN WITNESS WHEREOF, Borrower has executed this HOME Note as of the date and year first above written

BORROWER:

CAMINO DE LAS FLORES LIMITED PARTNERSHIP,
a California limited partnership

BY: EAST LA COMMUNITY CORPORATION,
a California non-profit public benefit corporation,
its general partner

By: _____
Name: _____
Title: _____

BY: _____

By: _____
Name: _____
Title: _____

EXHIBIT "C.2" TO LOAN AGREEMENT

CDBG PROMISSORY NOTE

(CDBG - PROJECT NO. 600611-03; 600612-03; 600613-04)

\$350,000

_____, 2004

For value received, the undersigned, CAMINO DE LAS FLORES LIMITED PARTNERSHIP, a California limited partnership ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("COMMISSION") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as COMMISSION may from time to time designate in writing), the principal sum of THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000) (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, _____, 2004, entered into between Borrower and COMMISSION (the "Loan Agreement"), and the terms and conditions of this CDBG Promissory Note (this "CDBG Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest~~{tc \12 "1.1~~ Basic Interest}. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at an interest rate of three percent (3%) per annum, simple interest ("Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts~~{tc \12 "1.2~~ Payment Dates and Amounts}. Except to the extent payable sooner pursuant this CDBG Note or Section 2.3 of the Loan Agreement, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("Maturity Date") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts shall be calculated by dividing the outstanding principal balance of the Loan by the sum of the outstanding principal balance of the Loan and the outstanding principal balances of all other residual receipts notes approved for the Project by COMMISSION. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION.

Notwithstanding any other provision of this Note:

- (i) unless due sooner, the entire outstanding principal balance of the Loan together

with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date;

- (ii) fifty percent (50%) of any reserves described in Section 15.5.5 (and any interest thereon) which are remaining in a Reserve Account at the end of the applicable Reserve Period (as both terms are defined in Section 15.5.5) shall, at such time, be applied to the repayment of the Loan, and Borrower hereby authorizes the Escrow Agent to disburse such remaining funds directly to HACOLA without the need for any further instruction or authorization from Borrower;
- (iii) any reserves described in Section 15.5.5 (and any interest thereon) in a Reserve Account in excess of the Operating Reserve Cap or the Replacement Reserve Cap (as both terms are defined in Section 15.5.5(c)) shall be applied to repayment of the Loan unless alternative uses of excess reserves are approved in writing by HACOLA which approval shall be in HACOLA's sole and absolute discretion.

Notwithstanding anything to the contrary in this Section 1.2, obligations of Borrower accruing or to be performed in any calendar year may be deemed to accrue or be performed in the Borrower's fiscal year, subject to the approval of HACOLA's Executive Director, which approval may be withheld in the Executive Director's sole and absolute discretion.

1.3 Calculation of Residual Receipts{tc \12 "1.3 Optional Deferral Based Upon Residual Receipts}. Borrower shall provide to COMMISSION for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by COMMISSION for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to COMMISSION any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate{tc \12 "1.4 Repayment of Deferral; Deferral Interest; Default Rate}. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this CDBG Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts{tc \12 "1.5 Definition of Residual Receipts}.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy

leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; and (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed ten percent (10%) of Gross Rents from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to COMMISSION, and shall be paid after the payment of all other Operating Expenses, and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed \$10,000 in the aggregate in any year; and (v) desoposits toward Eligible Reserves (as defined in Section 1.5.5 below).

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.5.5 Reserves.

(a) Definitions.

(i) "Eligible Reserves" shall mean, with respect to each calendar year or portion thereof, Operating Reserves and Replacement Reserves, which meet the requirements set forth in Subpart (b) of this Section 1.5.5.

(ii) "Operating Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Operating Reserve Account (as hereinafter defined), subject to the Operating Reserve Cap (as hereinafter defined), and actually set aside for:

- (A) taxes and assessments, as descry bed in Section 1.5.3(ii);
- (B) insurance premiums, as described in Section 1.5.3(iii);
- (C) operation of the Project as may, for reasons other than those described in this Subpart (a)(ii) of this Section 1.5.5, be required in connection with Senior Financing or by an investor limited partner; and

- (D) any other purpose which itself constitutes an Operating Expense.

(iii) "Replacement Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Replacement Reserve Account (as hereinafter defined), and actually set aside for her capital expenditures, which reserves shall be in an amount not more than the greater of (I) Two Hundred Dollars (\$200) per unit, or (II) subject to the Replacement Reserve Cap (as defined in Subsection (c) of this Section 1.5.5), such higher amount per unit as may be required by a tax creditor investor or holder of Senior Financing.

(b) Eligible Reserve Expenditure Requirements. Reserves shall be considered Eligible Reserves only if:

(i) COMMISSION has approved a written request ("Reserve Request") submitted to COMMISSION by Borrower which identifies:

- (A) the specific expenditure(s) sought to be reserved for;
- (B) the reasons why it is necessary to provide a reserve for the expenditure(s); and
- (C) each particular period, which shall in no event be for more than five (5) years from the date COMMISSION approves the Reserve Request (the "Reserve Period"), during which the funds sought to be reserved are to be expended; and

(ii) The Reserves are segregated in a special account for Operating Reserves ("Operating Reserve Account") and/or Replacement Reserves ("Replacement Reserve Account"), as the case may be (either sometimes referred to as a "Reserve Account"), established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties ("Escrow Agent").

(c) Reserve Caps. The Operating Reserves together with operating reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed \$40,000 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Operating Reserve Cap"). The Replacement Reserves together with replacement reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed \$16,000 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Replacement Reserve Cap").

(d) Release of Eligible Reserves. Operating Reserves and Replacement Reserves shall not be released to Borrower out of the Operating Reserve Account and Replacement Reserve Account, respectively, unless and until:

- (i) the Borrower has submitted to COMMISSION:
 - (A) a written disbursement request ("Disbursement Request")

seeking the release of funds out of the applicable Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by COMMISSION;

- (B) supporting documentation establishing, in COMMISSION's sole determination, that but for the release of the funds requested in the Disbursement Request, sufficient funds would not otherwise be available to the Borrower for the designated expenditure(s); and

(ii) COMMISSION has, in its sole and absolute discretion, approved in writing the Disbursement Request.

(e) "Up Front" Reservation of Funds. In addition to funding Project reserves out of Residual Receipts, as provided for in Section 1.5.3(v), Project reserves may be funded directly from the proceeds of the Loan, provided (i) COMMISSION has approved a "Reserve Request" (as defined in Section 1.5.5(b)(i)) which approval may be granted in COMMISSION's sole and absolute discretion; (ii) the reserves are placed into the appropriate Reserve Account (as defined in Section 1.5.5(b)(ii)); and (iii) the reserves are not released except in accordance with Section 1.5.5(d).

(f) Investment of Reserve Account. Funds in any Reserve Account established pursuant to this Section 1.5.5 shall be deposited in a banking institution whose deposits are insured by an agency of the federal government. Borrower may invest funds in a Reserve Account in domestic bank certificates which are insured by an agency of the federal government; in direct obligations of the federal government; in federal government agencies with an AA rating or better; federally guaranteed agencies, or in repurchase agreements which are direct obligations of the federal government or federal agencies; or which are collateralized by federal government obligations; or in short-term commercial paper receiving the highest rating from Moody's or from Standard and Poors. Borrower shall select the investment vehicles and maturities (not to exceed five years) on such investments so as to yield the maximum return, consistent with good business practice, including the need for available cash in the Reserve Account.

1.6 In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

“Assignment” means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower’s interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower’s estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term “Assignment” as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

“Net Proceeds” of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to COMMISSION), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys’ fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

“Refinancing” shall mean creation or substantial modification of a loan (“Project Loan”) secured by an encumbrance on the Site, the Project, or any portion thereof. The term “Refinancing” shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

2. Acceleration{tc \11 "2. Acceleration}.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this CDBG Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments{tc \11 "3. Prepayment; Application of Payments}.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this CDBG Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the CDBG Note.

4. Security and Source of Payment{tc \11 "4. Security and Source of Payment}.

Borrower's obligations under this CDBG Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which COMMISSION is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this CDBG Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the Loan.

5. Obligation of Borrower Unconditional{tc \l1 "5. Obligation of Borrower Unconditional}.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this CDBG Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this CDBG Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this CDBG Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan{tc \l1 "6. Purpose of Loan}.

The Loan proceeds shall be used by Borrower only to provide financing for the housing development and those specific Project purposes described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this CDBG Note and the Loan Agreement.

7. Covenants of Borrower{tc \l1 "7. Covenants of Borrower}.

As additional consideration for the making of the Loan by COMMISSION, Borrower covenants as follows:

7.1 Compliance with Loan Agreement and Deed of Trust{tc \l2 "7.1 Compliance with Loan Agreement and Deed of Trust}. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans{tc \l2 "7.2 Other Loans}. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this CDBG Note{tc \l1 "8. Assignment of this Note}.

This CDBG Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION, which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this CDBG Note, no purported assignment of this CDBG Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion, including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this CDBG Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, COMMISSION has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies{tc \l1 "9. Events of Default and Remedies}.

A. Borrower Events of Default{tc \l3 "A. Borrower Events of Default}. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this CDBG Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under or the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency; provided, however, that if any default with respect to a nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or warranty by Borrower under the terms of this CDBG Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal

bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this CDBG Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

B. COMMISSION Remedies ~~to~~ "B. HACOLA Remedies". Upon the occurrence of an Event of Default hereunder, COMMISSION may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COMMISSION, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this CDBG Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this CDBG Note or the Loan Agreement, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this CDBG Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, COMMISSION shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive~~{tc \13 "C. No Remedy Exclusive}. No remedy herein conferred upon or reserved to COMMISSION is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this CDBG Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this CDBG Note, no notice shall be required except as expressly provided herein.~~

D. COMMISSION Default and Borrower Remedies~~{tc \13 "D. HACOLA Default and Borrower Remedies}. Upon fault or failure of COMMISSION to meet any of its obligations under this CDBG Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:~~

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this CDBG Note;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this CDBG Note or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this CDBG Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COMMISSION arising out of or in connection with this CDBG Note, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California

Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

10. Agreement to Pay Attorneys' Fees and Expenses{tc \11 "10. Agreement to Pay Attorneys' Fees and Expenses}.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this CDBG Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this CDBG Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this CDBG Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability{tc \11 "11. Conflict of Interest; No Individual Liability}.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this CDBG Note, nor shall any official or employee of COMMISSION participate in any decision relating to this CDBG Note which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of COMMISSION shall be personally liable in the event of a breach of this CDBG Note by COMMISSION.

12. Amendments, Changes and Modifications{tc \11 "12. Amendments, Changes and Modifications}.

This CDBG Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices{tc \11 "13. Notices}.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this CDBG Note shall be in writing and shall be given by personal delivery, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and faxed or addressed as follows:

If to COMMISSION: Community Development Commission of the
County of Los Angeles

Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (890) 890-8576

With a copy to: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: East LA Community Corporation
530 S. Boyle Avenue
Los Angeles, CA 90033
Attn: Executive Director
Fax No. (323) 261-1065

With a copy to: A Community of Friends
3345 Wilshire Blvd., Suite 1000
Los Angeles, CA 90010
Attn: Executive Director
Fax No. (213) 480-1788

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail; and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this CDBG Note.

14. Severability14. Severability.

The invalidity or unenforceability of any one or more provisions of this CDBG Note will in no way affect any other provision.

15. Interpretation{tc \1 "15. Interpretation}.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this CDBG Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this CDBG Note by Borrower. Each Party has been represented by counsel in the negotiation of this CDBG Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this CDBG Note, nothing herein or in this CDBG Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this CDBG Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this CDBG Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents{tc \1 "16. No Waiver; Consents}.

Any waiver by COMMISSION must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by COMMISSION to take action on account of any default of Borrower. Consent by COMMISSION to any act or omission by Borrower will not be construed as consent to any other or subsequent act or omission or to waive the requirement for COMMISSION's consent to be obtained in any future or other instance.

17. Governing Law{tc \1 "17. Governing Law}.

This CDBG Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower{tc \1 "18. Representations and Warranties of Borrower}.

Borrower hereby represents, warrants and covenants to COMMISSION that:

A. Organization and Standing{tc \13 "A. Organization and Standing}. Borrower is a California legal entity as described in the Transaction Summary set forth in the Loan Agreement, duly formed, qualified to operate in California and validly existing and in good standing under all applicable laws, and has all requisite power and authority to enter into and perform its obligations under this CDBG Note, the Loan Agreement, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability{tc \13 "B. Enforceability}. This CDBG Note and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents{tc \13 "C. Authorization and Consents}. The execution, delivery and performance of this CDBG Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution{tc \13 "D. Due and Valid Execution}. This CDBG Note and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses{tc \13 "E. Licenses}. Borrower will obtain and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance{tc \13 "F. Litigation and Compliance}. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to COMMISSION) which could impair its ability to perform its obligations under this CDBG Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this CDBG Note.

G. Default{tc \13 "G. Default}. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations{tc \13 "H. No Violations}. The execution and delivery of this CDBG Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals{tc \11 "19. Approvals}.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this CDBG Note shall be solely for the benefit of COMMISSION, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not COMMISSION shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by COMMISSION under this CDBG Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by COMMISSION's Executive Director without action by COMMISSION's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing{tc \11 "20. Good Faith and Fair Dealing}.

COMMISSION and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this CDBG Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of COMMISSION or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which COMMISSION may have.

IN WITNESS WHEREOF, Borrower has executed this CDBG Note as of the date and year first above written

BORROWER:

CAMINO DE LAS FLORES LIMITED PARTNERSHIP,
a California limited partnership

BY: EAST LA COMMUNITY CORPORATION,
a California non-profit public benefit corporation,
its general partner

By: _____
Name: _____
Title: _____

BY: _____

By: _____
Name: _____
Title: _____